Proposal to Provide
Construction Manager at Risk (CMAR)
Services to the

TOWN OF SILT
Est. 1915

for the

Water Treatment Plant Improvements Project

HENSEL PHELPS
Plan. Build. Manage.

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March 9, 2023

Mr. Trey Fonner
Public Works Director, Town of Silt
231 N. 7th Street, PO Box 70
Silt, CO 81652

RE: Statement of Qualifications to Provide CMAR Services to the Town of Silt for the Water Treatment Plant Improvements Project (submitted to trey@townofsilt.org)

Dear Trey,

Hensel Phelps is pleased to present our SOQ to provide CMAR Services to the Town of Silt for the Water Treatment Improvements Project. As one of the largest employee-owned General Contractors in the U.S., Hensel Phelps delivers $6B worth of projects annually. Our comprehensive range of construction services – from preconstruction through constructability and field management – deliver superior results on time and on budget. Our range of services include preconstruction services; virtual design and construction (VDC); lifecycle cost analysis; prefabrication and modularization; contracting methodologies; and water and wastewater. In particular, our Water Group located in Fort Collins, Colorado specializes in the construction of water and wastewater treatment facilities and related improvements, repair, and expansion projects.

We have performed an early evaluation of the WTP Improvements Project and understand some critical factors to be: whether to re-purpose the existing treatment building or to build a new one (and with which type of building — tilt-up concrete, pre-engineered metal or CMU); if a new building is chosen, can a break room be built out in the existing building; and potential schedule challenges such as ensuring operations of the new plant with a temporary chemical system while the existing building is being retrofit. These are discussed further in this SOQ.

In addition, we have partnered with Gould Construction, a local contractor with extensive experience working in the Western Slope as well as ties to the local subcontracting community formed over the last 40 years. Hensel Phelps also has extensive experience working on similar projects located in the mountains and understands the particular weather, geology, and labor challenges these types of projects can present. We are excited to have brought this team together to solve the unique issues presented by this project.

We understand the requirement for a Town of Silt contractor's license and will apply for one and receive it prior to construction. We acknowledge Addendum 1, issued on 2/20/2023 and Addendum 2, issued on 2/28/2023. Thank you for your consideration of Hensel Phelps' SOQ and we look forward to discussing it with you further in the near future.

Sincerely,
Hensel Phelps Construction Co.

Brian Penner, Operations Manager (Signatory to all Contract Documents)
77 NW Frontage Rd., Fort Collins, CO 80524 (t) 970.225.2211 (e) bpenner@henselphelps.com

Preston Randall, Project Director (Main Point of Contact)
(t) 970.225.2211 (e) prandall@henselphelps.com

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1. Executive Summary

Why Hensel Phelps?

CMAR Delivery Expertise. Hensel Phelps has delivered more than 1,200 CMGC/CMAR projects, totaling more than $37B worth of work. This vast experience has taught us the importance of engaging with the team, listening to stakeholder goals, and understanding project constraints. We have also learned that the value of the CMAR comes from a comprehensive preconstruction approach. From developing a construction schedule that eliminates disruptions to plant operations to a comprehensive estimate at the early stages of design, our proposed team will engage on day 1. This expertise means we have the capacity meet the mid-June SRF application deadline and produce the GMP at 60% design to ensure the Town of Silt meets all funding deadlines.

Understanding of SRF-funded Projects/Meeting DBE Participation Goals. Hensel Phelps has a long, well-established history of not only encouraging participation of disadvantaged and M/WBE firms but regularly exceeding established goals. As one of the largest contractors in the public sector, including federal, state and local/municipal institutions, we purchase over $3B in subcontractor in-place construction annually from disadvantaged and small business firms throughout the country. This experience ensures we have the resources and expertise to identify and bring on board the most qualified DBE subcontractors working in the Western Slope for this project. Our Compliance Coordinator, Hannah Seely, will ensure the Town meets all requirements. We understand that the Town will have deliverables that are due to the SRF in mid-June of 2023. Hannah will work with the Town to assure that all deliverables are provided to the satisfaction of the SRF.

Experience Working in the Mountains including the Western Slope. Hensel Phelps has provided similar services for numerous Colorado municipalities located in the mountains over the last 40 years. From this, we understand phasing work during the winter months to plan around peak flows, managing concrete placement, and working with local trades. These jobs include various upgrades and rehabilitation work on both the WWTP and water storage tank, located in a resort mountain town, for the Copper Mountain Consolidated Metropolitan District. We have been working for Frisco Sanitation District for the past 30 years. A recent job included converting a 100' diameter steel Cantex basin into a concrete aeration basin, including associated mechanical and electrical work. This project was completed through the winter to be online by July 4th for peak flows and included only a single lost weather day. For the Dillon Valley Water District, we completely rebuilt and expanded the water treatment plant throughout the winter so it was completed before spring runoff. For the Snake River Utility WWTP, we provided headworks channel modifications to replace bar screens and replaced the washer compactor, which was completed without any process interruptions. In addition, Hensel Phelps provided UV modifications during the winter for the Gunnison WWTP. As a builder founded in Colorado, we have constructed a number of buildings in the mountains including a hotel in Black Hawk, which required ensuring the main road to the town remained open and surrounding business were not impacted by the construction of a 34-story building; as well as the recent Eagle Airport Expansion and the High-Altitude Army Aviation Site in Gypsum.

Gould Construction - Local Contractor with an Understanding of the Local Subcontractor Pool. As you will read about further in this proposal, Hensel Phelps has invited Gould Construction to be part of our team. As a local heavy civil contractor working in the area for the past 40+ years, Gould will bring their comprehensive understanding of the local subcontractor market to help us in choosing the best subcontractors for the Town of Silt and in meeting the DBE participation goals to meet the SRF funding requirements. More generally, they will also provide outreach to the local community at large so that the public understands how the WTP Improvements Project will unfold and any concerns or questions are addressed in a prompt, professional manner.

Team with Recent Relevant Experience. Preston Randall, Project Manager and Project Director, is currently working on the $34M Wellington Water Treatment Plant Expansion, along with Construction Manager/Assistant Project Manager, Brandon Holmes. Chad Oeltjenbruns, Site Superintendent, has worked on the Fort Collins Water Treatment Plant Improvements Project and the Drake Water Reclamation Facility Project, to name a couple. Gabe Barnett, our Commissioning/Start up Manager, worked on the Sterling Water Treatment Plant and the Boyd Lake Water Treatment Plant Alum along with Brandon. This team brings recent relevant experience to this project as well as a tried and tested history of working with one another, ensuring a successful project for the Town of Silt and all of its residents.

2. Proposer Profile & Key Firms

An Introduction to Hensel Phelps

Established in 1937 in Greeley, Colorado where our corporate headquarters remains today, Hensel Phelps specializes in building wastewater/water, aviation, commercial, education, healthcare, hospitality, infrastructure, mission critical, and other specialty projects.

Serving the Water + Wastewater Market in Colorado

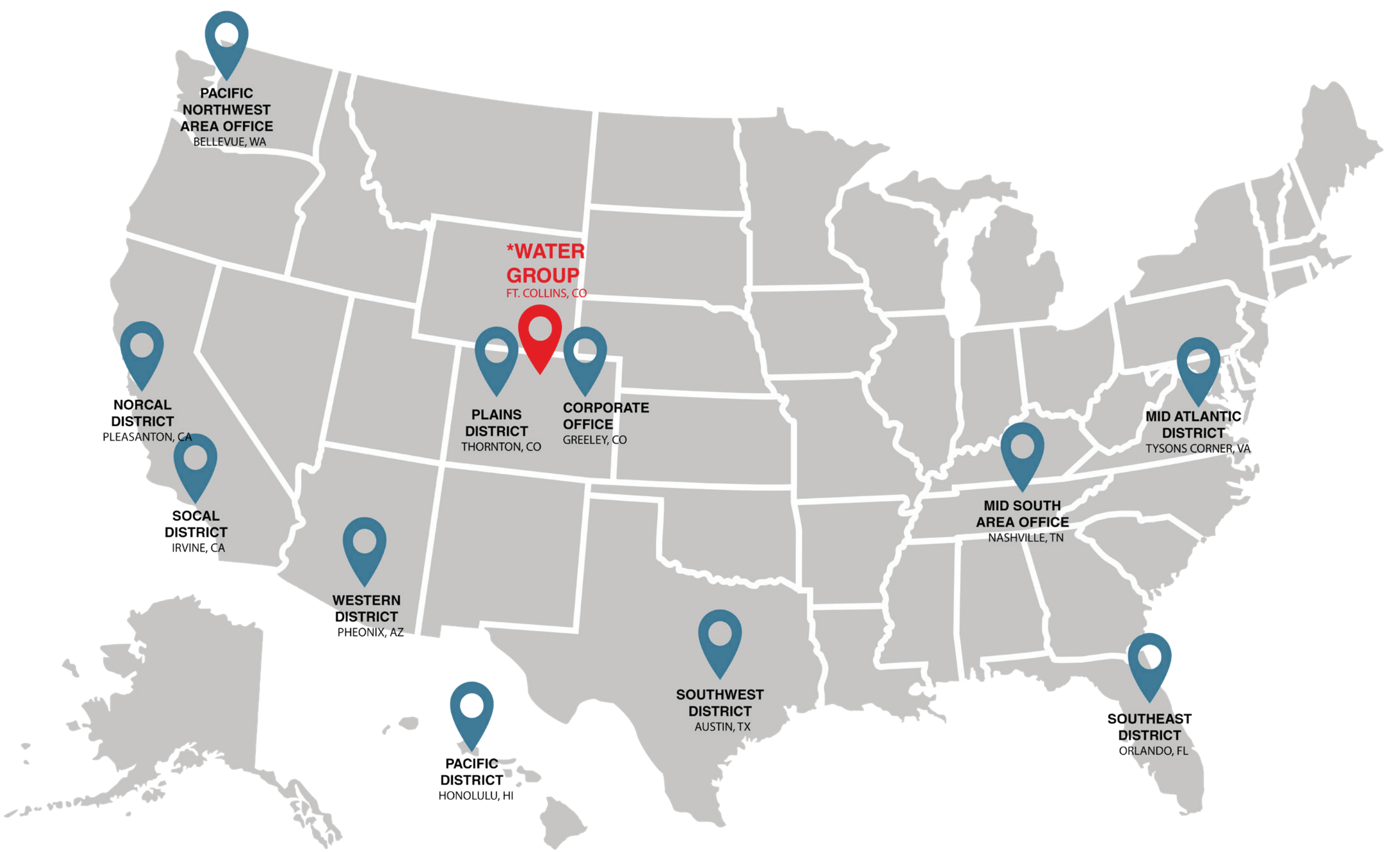
Nationwide, Hensel Phelps has delivered more than $2B worth of water/wastewater work, totaling more than 750 projects. With our Water Group located in Fort Collins, we have performed work at many of the major treatment facilities throughout greater Colorado and at numerous facilities across the country. We specialize in facility expansions, new water and wastewater treatment facilities, various treatment process upgrades, and the construction of water pump and sewage lift stations to support the needs of municipalities nationwide.

General Information. Please see the information below for statistics on Hensel Phelps. A list of our Colorado licenses can be found in *Appendix A.*

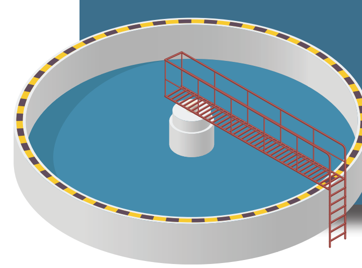
Proposer Legal Structure. Hensel Phelps is a General Partnership and 100% employee-owned. No one owns more than 10% of the company.

Project Office Location. Our Water Group is located at 77 NW Frontage Road in Fort Collins, CO. For this project, we will establish a project office in Silt.

Safety. An overview of Hensel Phelps' safety program, along with our relevant safety statistics, can be found on the following page.



- **Established in Greeley, CO in 1937**
- **600+ Employees on the Front Range, 4,000+ Nationwide**
- **11 Regional Offices Across the Country**
- **3 Lines of Business: Development, Construction, Services**



Hensel Phelps is One of the Safest GCs in the U.S.

Hensel Phelps has one of the industry's best safety records, garnering repeated recognition by the industry's leading clients and organizations. This record is even more significant considering we self-perform an average of 8.5 million work hours of labor each year. ***WITH A CURRENT INTERSTATE EXPERIENCE MODIFICATION RATE (EMR) OF 0.61, HENSEL PHELPS IS ONE OF THE SAFEST BUILDERS IN THE NATION.***

An Overview of Hensel Phelps' Corporate Safety Program

Year	EMR Rate	DART Rate
2022	0.61	0.51
2021	0.63	16
2020	0.56	11

Our commitment to safety begins at the highest level. Our supervisors are accountable to establish the safety culture on each Hensel Phelps project. We believe that driving safe behavior is key to incident prevention. Bringing positive recognition to a jobsite and focusing on what is being done correctly creates an atmosphere where craftsmen are willing to cross trade lines and support one another. This is key to having a proactive safety culture at all levels. Our unwavering commitment to safety is implemented through a continuously refined safety program focused on accident prevention through comprehensive education and training, effective pre-planning, and development of a culture of personal accountability that extends to all workers and supervisors. The backbone of this approach is a project-specific Safety & Health Plan for every project, designed around OSHA Standards. In **Appendix A,** please find an EMR letter.

Financial Conditions - Please find Hensel Phelps' Audited Financials from the last 3 years in a **separate PDF.** We are not publicly traded. ***Payment and Performance Bonds*** - A letter from our surety can be found in **Appendix A.** ***Insurance*** - A letter from our insurance company is in **Appendix A.** ***Legal Proceedings and Judgements -*** There are no pending or past (within five years) legal proceedings and judgments, or any contingent liability that could adversely affect the financial position or ability to perform contractual commitments to Owner. Please find a sworn statement from our general counsel in **Appendix A.** ***Completion of Contracts -*** Hensel Phelps has never failed to complete a contract in 86 years. ***Debarred from Bidding -*** Hensel Phelps has never been debarred or considered for debarment in 86 years.

Key Firms

Our proposed team for the Water Treatment Improvements Project includes **Gould Construction, Inc.** They are a fully integrated heavy construction and site development general contractor based out of Glenwood Springs for more than 40 years with whom Hensel Phelps has had a longstanding professional relationship. They have completed work for all of the Western Slope municipalities and counties, including water and sewer plants and lift stations, plant and process piping and mechanical buildings, roadways, bridges, trails, walls, maintenance buildings, and storage buildings.

GOULD CONSTRUCTION

Gould's EMR

Year	EMR Rate
2022	1.03
2021	1.02
2020	0.9

DBE Participation

Hensel Phelps believes that incorporating small and local businesses goes beyond meeting a goal, but it's the right thing to do - on every project. Because of this we have a proven track record of being the best partner to small and disadvantages businesses. This record in Colorado, and the fact that our business was founded here 86 years ago, has established an unparalleled amount DBE relationships. We will bring these relationships to your project so your goals can be met.

Disadvantaged Business Enterprise Participation Plan

Hensel Phelps has put together an initial DBE Participation Plan that explains how we would solicit and engage DBE subcontractors to meet the needs of this project, particularly with regard to meeting the SRF funding requirements.

We look forward to sharing the details of our Plan with you during preconstruction, which features a 5-step approach to ensure maximum DBE participation that includes:

Phase 1 – Introduction and Evaluation

Phase 2 – Identification of Improvement Opportunities

Phase 3 – Implementation of Action Plan

Phase 4 – Contract Completion Support

Phase 5 – Project Performance Evaluations

3. Project Team Structure and Key Personnel

Describe Key Personnel individual qualifications and experience and how it aligns with their proposed role. Specifically discuss Project Manager's experience leading similar teams.

An Introduction to Hensel Phelps' Proposed Team

Management Team

A Single Point of Contact

Our project management team includes **Preston Randall as Project Director and Project Manager** who is ultimately responsible for the overall successful completion of the WTP Improvements Project. He will ensure the project has the necessary resources and that all client goals are met. Preston will serve as the primary Point of Contact (POC) for the project. He will be heavily involved in pre-construction, including GMP generation, as well as onsite weekly during construction. He will participate in generating the commissioning and start-up plans for the project. Preston's expertise in coordinating with plant staff, securing permitting, and ensuring cost control will ensure a successful project. As shown on his resume, his recent applicable experience includes leading the team on the $34M Wellington Water Treatment Plant Expansion.

Describe how the Project Manager will ensure ongoing integration of Proposer personnel with Owner and Design Engineer through both Phases I and II.

Key Personnel Continuity

Preston will implement Hensel Phelps' "cradle to grave" philosophy by maintaining the same team throughout the project because this ensures a seamless transition through every phase, eliminating handoffs and preventing knowledge gaps. This will also ensure that the Town of Silt does not have to go through the process of working with new personnel from one phase to the next, building on team cohesion and knowledge as the project moves towards completion.

Preconstruction Support

Mike Ferraro will serve as our team's **Senior Estimator.** He will work closely with the project team to generate GMP estimates that encapsulate the project's goals from both the cost and the schedule side. He will use the Hensel Phelps cost database and vast subcontractor resources as necessary to provide a GMP that provides the best value to the Town of Silt.

As Hensel Phelps' **Compliance Coordinator, Hannah Seely** will manage compliance to fulfill the DBE requirements and ensure SRF funding guidelines are met. She will also ensure that all construction materials purchased for use on this project comply with the Build America Buy America (BABA) Act.

Construction Support

Our **Site Superintendent, Chad Oeltjenbruns** will be in charge of planning and management of field operations and scheduling. He will be involved in pre-construction as needed, provide oversight of early construction package activities, and will be onsite daily for the construction phase. He will be responsible for ensuring Quality Control on the project by implementing Hensel Phelps' 6-Step QC Process. In addition to the rest of the onsite staff, Chad will manage resources from Gould. We are excited to partner with Gould for this project. Their resources will be involved in preconstruction as needed, leveraging their familiarity with local subcontractors and assisting Chad with field management during the construction phase.

As **Commissioning (Cx) & Start-up Manager, Gabe Barnett's** experience with water/wastewater expansion and improvement projects and his 13 years of experience will be leveraged to assist the team in working closely with the electrical trade partner early on to provide commissioning plans with detailed EI&C construction sequences that would address outage requests (if required) and Instrumentation and Controls Cutover plans that adhere to the project schedule. Gabe will coordinate with Chad during the construction phase to ensure a successful turnover of the Water Treatment Plant to the Town of Silt.

At commissioning, the team will follow the five-step process: 1) Factory Acceptance Testing with Vendors, 2) Site Acceptance Testing of Equipment, 3) System Testing for Automatic Controls, 4) Operational Testing for all Systems, and 5) Commissioning with the Town's operators and maintenance personnel.

Brandon Holmes, Construction Manager/Assistant Project Manager, will be responsible for the administration of jobsite activities. During the early phases of the project, Brandon will work closely with Preston and Mike on the bid packaging and purchasing of subcontractors. He will be responsible for the project reporting and documentation, including owner billings, monthly reports, schedule updates, change estimate negotiation and resolution, and quality assessment reporting. Brandon (along with Preston) is completing a similar Water Treatment Plant Expansion Project for the Town of Wellington and will apply this hands-on expertise to the WTP Improvements Project.

Ross Rienau, Safety Manager, will be responsible for maintaining safety at the jobsite and developing the job-specific safety plan. He will coordinate closely with Chad and the area superintendent daily to ensure a strong safety culture is maintained during construction. His input during preconstruction will ensure any particular safety concerns are addressed and resolved early on.

Describe the scope of the Proposer's and each Key Firm's services and responsibilities.

Hensel Phelps will be the **General Contractor** on this project and be responsible for the overall completion of this project on time and within budget. We will report directly to the Town of Silt and have overall responsibility for all subcontractors. This responsibility comprises all management, contractual matters, quality control, safety, DBE Participation/SRF funding compliance, and commissioning requirements for the project. We intend to self-perform critical key scopes of work such as installation of the process piping and equipment (however, we understand that all scopes may have to be bid out to comply with SRF funding requirements).

Gould Construction - Local Knowledge

Hensel Phelps has partnered with **Gould Construction** to join our team. As a local, family-owned contractor based in Glenwood Springs for more than 40 years, they bring extensive knowledge of the Western Slope and strong ties to the surrounding subcontracting community. Their expertise includes earthwork and utilities as well as general preconstruction planning and building consensus with the local community.

Dave Hillbrand from Gould will provide **Civil Preconstruction Services.** His knowledge of the local subcontractor pool in the Silt region and more widely in the Western Slope will help to assist our team during the subcontractor procurement phase.

Potential Subcontractors
Concrete
RodCo Concrete, Rifle, CO
S2M Construction, Glenwood Springs, CO
May's Concrete, Grand Junction, CO
Masonry
Gallegos Construction, Glenwood Springs, CO
ASCO Masonry, Grand Junction, CO
CK Stone, New Castle, CO
Plumbing / Mechanical
Pacific Sheetmetal, Rifle, CO
Climate Control Co. , Glenwood Springs, CO
Mountain Air Mechanical, Rifle, CO
Electrical
Triangle Electric, Eagle, CO
R&A Enterprises, Carbondale, CO
EC Electric, Grand Junction, CO

Local Subcontractors

The chart to the left shows a list of potential subcontractors that are local to the Western Slope. We understand that SRF funding requirements may require the Town of Silt to bid out all scopes of work. Therefore, we have not entered into a teaming agreement with any of these subcontractors — we would first like to understand more about the Town's requirements and preferences. We will work together with the team to identify and bring on board local DBE firms in order to meet the stipulated goals and secure project funding, as well as provide support and opportunities to the local subcontracting community.

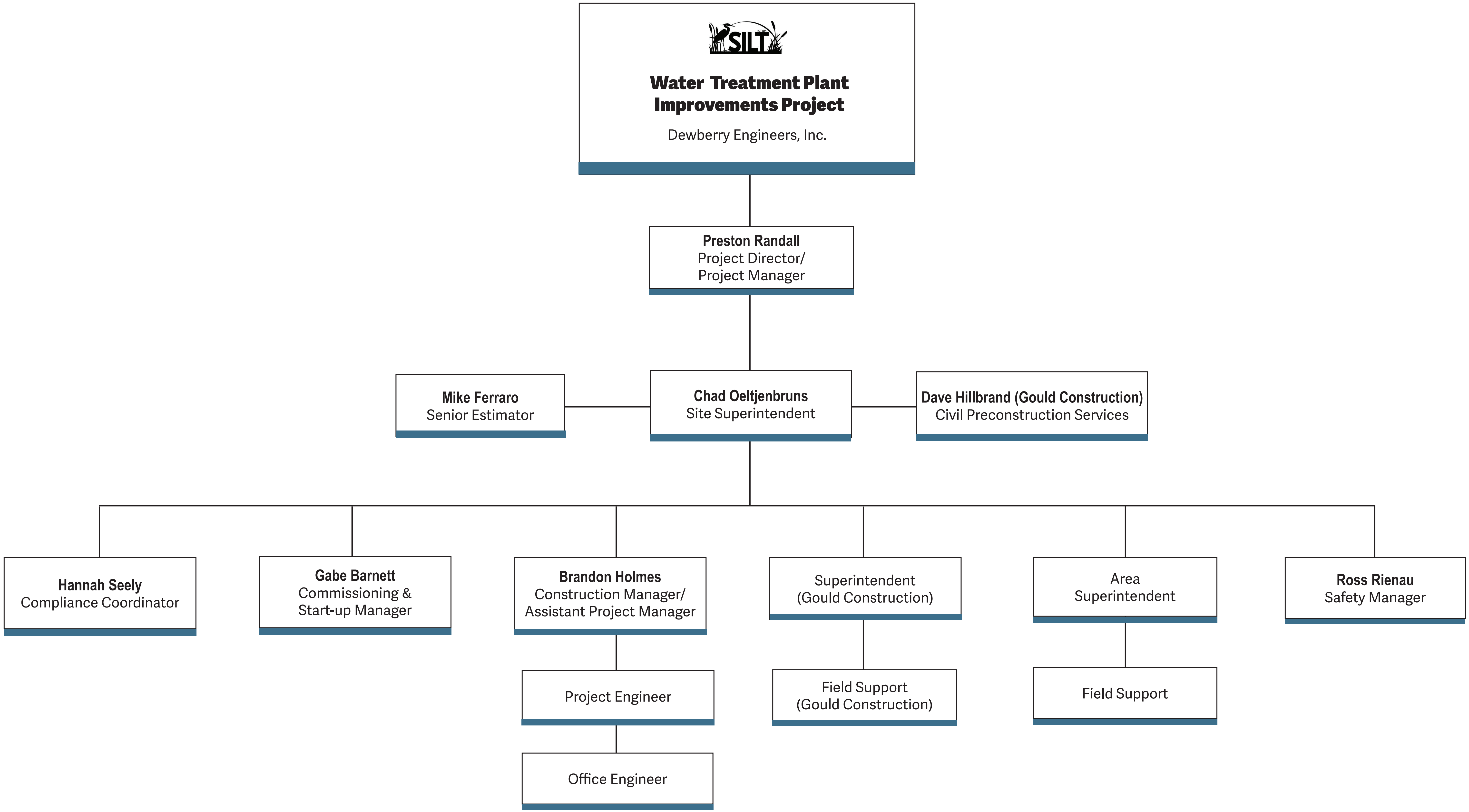
Describe how the team will interact with each other, the Owner, and Design Engineer during both Phase I and Phase II, highlighting differences between phases.

Early on during the preconstruction phase of this project, our key personnel will work together and with the Town and Dewberry to evaluate constructibility, the estimating process, SRF funding requirements, and safety and phasing details so that potential Phase II variables are identified and eliminated during Phase I. This approach prevents any potential issues from becoming problems in the field later on, ensuring all elements of the project run smoothly from the outset and do not subsequently impact the cost or schedule.

Describe how the Project Team's qualifications and experience are of unique benefit to the Project in light of the Project approach described in Part 5.

Our key personnel each bring recent and relevant water/wastewater experience, which can seen in detail on their resumes in Appendix B, and all of them have worked together. The leader of our team, Preston, brings his recent experience directing the $34M Wellington Water Treatment Plant Expansion. In addition, Gould Construction brings water/wastewater construction experience from projects located throughout the Western Slope as well as ties to the local subcontracting community formed over the past four decades.

Key personnel resumes, along with their roles and responsibilities, can be found in Appendix B.


Water Treatment Plant Improvements Project
Dewberry Engineers, Inc.
Preston Randall
Project Director/ Project Manager
Mike Ferraro
Senior Estimator
Chad Oeltjenbruns
Site Superintendent
Dave Hillbrand (Gould Construction)
Civil Preconstruction Services
Hannah Seely
Compliance Coordinator
Gabe Barnett
Commissioning & Start-up Manager
Brandon Holmes
Construction Manager/ Assistant Project Manager
Superintendent (Gould Construction)
Area Superintendent
Ross Rienau
Safety Manager
Project Engineer
Field Support (Gould Construction)
Field Support
Office Engineer

4. Relevant Project Experience

SFCSD Water Reclamation Facility Expansion & Improvements Project Phase I Fort Collins, CO

PROJECT DETAILS

The project expanded the Water Reclamation Facility (WRF) to accommodate growth within the service area, increasing its capacity from 4.5 million gallons per day (MGD) to 6 MGD during Phase 1 (with provisions to expand to 9 MGD in the future). This project included nutrient removal facilities to meet the limits of the CDPHE Regulation 85. Additional improvements to the solids handling facilities enabled SFCSD to reuse their biosolids (in compliance with 40 Code of Federal Regulations Part 503 biosolids regulation) as a Class A product. The project added several new facilities: a step feed aeration basin, blower building, secondary clarifier, Autothermal Thermophilic Aerobic Digestion (ATAD), and a biofilter. Components of the project included influent pumps, blowers, numerous pumps, a UV system, and rotary drum thickeners. Other improvements included yard piping, grading, paving, electrical, and instrumentation and controls.

Owner Reference: Eric Bailey, South Fort Collins, Sanitation District, District Manager, 970-786-5310, ebailey@sfcsd.net

Delivery Model: CMAR **Role:** General Contractor

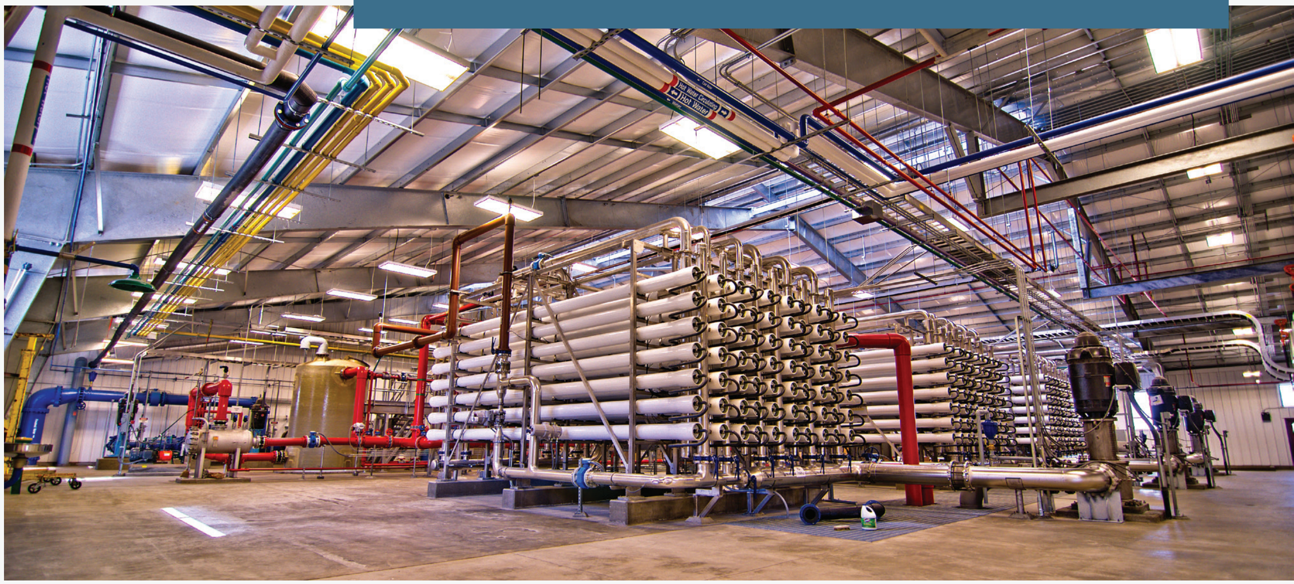
Initial/Final Contract Amount: $35,546,423 / $35,307,219 **Initial/Actual Schedule:** 10.1.2018-12.1.2021 / 10.1.2018-2.1.2022 (project savings were reinvested into the project and expanded the scope and extended the schedule)

Key Personnel: Chad Oeltjenbruns - Project Superintendent (responsible for design review, estimating assistance, daily project supervision, coordination of all efforts including subcontractors, safety, quality control, daily communication with plant staff and engineer)

Safety Violations: 0

Sterling Water Treatment Plant

Sterling, CO



PROJECT DETAILS

This project included the construction of a new 10 MGD reverse osmosis water treatment plant. The project included a 20,500 SF building housing a process and administration area. An additional 4,000 SF chemical building provides chemical pumps and storage. The plant included two cast-in-place water storage tanks, chemical feed systems, three RO trains, concentrate pumping system and process and yard piping. Concentrate water from the RO skids is disposed of in two deep wells.

A deep well pump station was constructed to pump concentrate water into. This pump station included two 300 HP, 550PSI multi-stage pumps and associated stainless steel high pressure 900lb. flanged piping.

Owner Reference: City of Sterling, Jeff Reeves, 970-522-9700

Delivery Model: Design-Bid-Build **Role:** General Contractor

Initial/Final Contract Amount: $12,115,500/ $14,845,400 **Initial/Actual Schedule:** 6.11.2011-4.25.2013/6.11.2011-7.11.2014 (A significant change order encompassing the deep wells was issued as a modified CMAR contract which extended the actual duration.)

Key Personnel: Preston Randall - Project Manager (responsible for successful delivery of the project); Gabe Barnett - Project Engineer (oversaw the onsite project administration of the contract.)

Safety Violations: 0

Drake Water Reclamation Facility Process Train Improvements Fort Collins, CO

PROJECT DETAILS

The Biological Nutrient Removal improvements to the North and South Process Trains included site demolition, concrete basins for the Anaerobic and Anoxic zones, and rebuilding of the aeration basins with the addition of high speed direct drive blowers. Work included installation of MLR pumps and piping, replacement of various equipment and all electrical, instrumentation and controls integrated into the existing SCADA system. On the South Process Train we worked closely with the engineer and owner to make sure construction could be completed while also keeping one train completely operational. Another critical item is that we were able to strategically remove two existing blowers and replace them with two new high speed turbo blowers without affecting the operation of the plant. About one-third of the way through construction the owners decided that they wanted to replace the existing diffusers. We worked closely with the supplier to expedite the equipment in order to get it to the site and installed without affecting schedule, we were also able to use cost savings to cover the additional labor associated with this task. We ran into bedrock during the excavation of the basin, this was unexpected, and to maintain schedule we fast tracked the concrete and doubled up on crews.

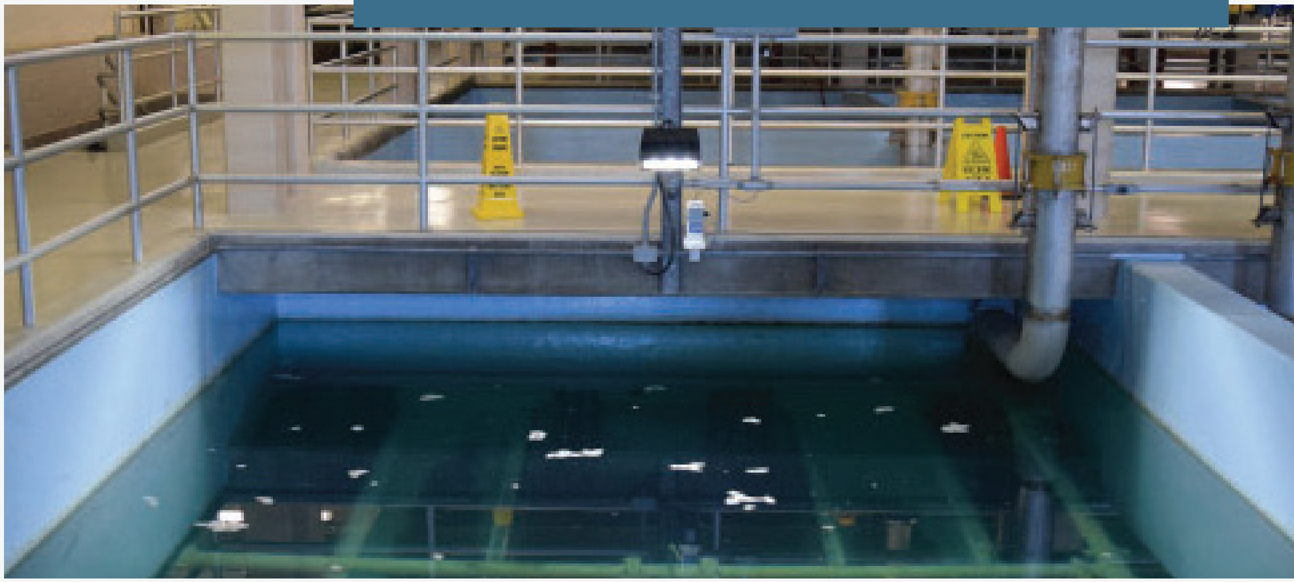
Owner Reference: Stantec, Shelley Trujillo, Senior Principal Engineer, 303-291-2128, shelley.trujillo@stantec.com

Delivery Model: Alternative Product Delivery System **Role:** General Contractor **Initial/Final Contract Amount:** $5,230,145 / $5,469,926 (2 owner-initiated change orders) **Initial/Actual Schedule:** 1.2.2015-10.2.2016 / 1.2.2015-11.2.2016

Key Personnel: Preston Randall - Quality Control Manager (responsible for quality control during the project); Chad Oeltjenbruns - Superintendent (managed the day-to-day field activities ensuring that the project milestone dates and scheduled completion date were met.)

Safety Violations: 0

Fort Collins Water Treatment Plant Improvements Fort Collins, CO



PROJECT DETAILS

These work order projects included installation of pipe and valves; numerous electrical repair/improvements; replacement of filter media and coating filter basins; construction of a new CO2 chemical feed system; and various WTF replacement projects.

The largest project included a 2.5-million-gallon concrete baffled tank that provides contact time for disinfection of the city's drinking water supply. The basin was constructed using almost 1 million pounds of reinforcing steel and more than 4,500 cubic yards of concrete. This project also included hauling and placing 10,000 tons of imported structural fill to support the structure and improvements to several buried 42" & 36" DIP pipelines with 15'-20' deep excavations. Along with 21 4'x4' hatches and a 12'x12' equipment hatch with a 2-ton overhead crane incorporated in the suspended slab, Hensel Phelps had to install 4 custom FRP ladders for access into the basin, and 3 slide gates with a 54" overflow flap gate. Along with the construction of the Chlorine Contact Basin, we removed and installed a new 60" and 36" flow meter for the City related to the flow to the CCB. All handrail and stair access to the basin were installed by Hensel Phelps.

Owner Reference: City of Fort Collins, Owen Randall, 970-217-8403

Delivery Model: Alternative Product Delivery System **Role:** General Contractor

Initial/Final Contract Amount: $15,314,277 / $14,987,620 (1 deductive Change Order) **Initial/Actual Schedule:** 11.15.2015-1.31.2019

Key Personnel: Chad Oeltjenbruns - Superintendent (managed the day-to-day field activities ensuring that the project milestone dates and scheduled completion date were met.) **Safety Violations:** 0

Summary Table

The matrix below shows how our four example projects are similar to the Town of Silt Water Treatment Improvements Project, as well as additional similar projects completed by our Water Group.

	Key Personnel Involvement	Located in Colorado	2 MGD or Larger	CMAR/Alternate Delivery	Water/Wastewater Treatment Facility	Similar Project Value	Constructed in an Operational Facility	Early Equipment Procurement	New Building/Modifications to Existing Building	Located in the Mountains/ Western Slope
Project Example 1 - Sterling Water Treatment Plant	●	●	●	●	●	●			●	
Project Example 2 - SFCSD WRF Phase 1 Expansion/ Improvements	●	●	●	●	●	●	●	●	●	
Project Example 3 - Drake Water Reclamation Facility Process Train	●	●	●	●	●	●	●	●	●	
Project Example 4 - Fort Collins Water Treatment Plant	●	●	●	●	●	●	●	●	●	
Bellvue Water Treatment Plant	●	●	●	●	●	●	●	●		●
Granby Solids Handling Improvements	●	●	●	●	●	●	●	●	●	●
Sheridan VA Hospital Water Treatment Plant	●				●	●	●		●	●
Buffalo Wyoming Water Treatment Plant	●		●	●	●		●	●	●	●
Snake River Wastewater Treatment Plant	●	●		●	●		●	●	●	●
Frisco Wastewater Treatment Plant	●	●	●	●	●	●	●	●	●	●
Gunnison Septage/Bulk Water Fill Station Improvements	●	●	●	●	●		●	●		●
Dillon Valley Water Treatment Plant	●	●	●	●	●		●		●	●
Fruita Wastewater Treatment Plant Upgrades	●	●	●	●	●		●	●	●	●

5. Project Approach

Describe how a collaborative relationship with the Owner and Design Engineer would be established during preconstruction-phase development, scheduling, cost estimating and risk management.

Open Book Philosophy

Hensel Phelps embraces an "open-book" management philosophy on all projects. By promoting effective communication and sharing important information, issues can be brought to the forefront and solved promptly. Our goal is to foster a collaborative team environment, where ideas are shared, and the team is always working towards the project team's agreed upon project goals. Regular communication, practicing active listening, and providing decision-ready information are attributes that foster a collaborative relationship among all parties. Because of our team's experience with CMAR delivery, we are confident this collaborative environment will be maintained through both phases of the Silt Water Treatment Plant.

Discuss how the design and construction processes will interface.

Maintaining Project Knowledge during both Phases

The individuals participating in the preconstruction and procurement phases will be the same individuals who actually execute the work during the construction phase. We believe this brings a tremendous advantage because the individuals are informed and engaged in the decisions made from the start of the project through its completion. This prevents knowledge gaps which often occur when roles are swapped out according to phase, disrupting the accumulation of knowledge that takes place when the key personnel remain consistent.

In addition, the our proposed Site Superintendent, Chad Oeltjenbruns, is a Western Slope native and it will be a ***dream come true*** for our other key personnel to be able to relocate to the Western Slope. In conjunction with local management staff from Gould, our project team will be engaged in your project because they want to be there.

Risk Management Tool

A broader tool used to manage risk – and in particular, limit scope and cost growth resulting from unanticipated risks – is the Hensel Phelps Risk Management Tool (RMT). This matrix outlines both the significant risks and specific mitigation strategies for each element of the project. As the RMT is carried forward through the preconstruction and construction phases, it will ensure that no risks are left unaddressed or "dropped," which could result in later cost impacts or schedule growth.

Constructability Reviews and Feedback

Constructability reviews will be led by Preston and Chad Oeltjenbruns, with support from the rest of the team. Benefits to constructability and value engineering include ensuring all project participants understand why certain methods of construction are being chosen and why design elements were changed to offer value engineering, schedule, and/or quality benefits.

Constructability Program Procedure

Drawing clarification and definition is a simple process of checking the documents for section cuts, call out keys, and schedules to verify accuracy. Our team will examine the definition and detail in the documents to properly communicate the scope and intent to the trade partner community and review comments noted are organized by discipline and responsibility assigned for correction by a certain date within our **Constructability Review Action Log.**

Our **Constructability Checklist** is a list of items to check as we review the documents, document the requested information and easily communicate the construction needs and considerations to the design team to determine the best solution.

BIM for Constructability Review & Coordination

We will use Building Information Modelling (BIM) extensively to coordinate and enhance our well-established constructability program. Throughout design, the team will access, update, and share project information in real-time through the use of BIM 360. Our Project Superintendent, Chad Oeltjenbruns, will work with the designers to review installation and fabrication techniques for the project.

Identify specific value engineering alternatives that will be evaluated during the preconstruction phase and the methods used to identify the design, schedule, and cost impacts.

Value Engineering through the Trending Process

At design meetings, review meetings and owner meetings, we will track and note all modifications to the design, changes in scope, additions or deletions from concepts, value management and other changes occurring to the project. We will then report back to the team on the possible results of the revisions. We utilize the **Trend Estimat**e to isolate and price design or scope changes as they occur, and also to evaluate "what if" scenarios. The Trend Estimate can also isolate items included in the milestone estimate, lists any revisions to those items or add new items and then reports on the impact of that change.

The Trend Estimate Log accumulates and tracks these changes and is updated to provide a "real-time" project cost as the team reviews the changes and decides whether to incorporate or reject the change.

For example, on the Phase 1 WRF Expansion & Improvements Project for South Fort Collins Sanitation District (SFCSD), Hensel Phelps provided approximately $2M in value engineering at the 30% design level and approximately $1M in value engineering at the 60% design level. This allowed SFCSD to issue a GMP at the 60% design level under their original budget with contingency. During construction, Hensel Phelps generated an additional $1M in savings allowing SFCSD to increase the scope and add an effluent disc filter, bar screen, wash press, site improvements, and other enhancements. This was a CMAR project.

Value Engineering Items for the WTP Improvements Project

The following is a brief list of value engineering items our team has identified in the RFQ documents. All of the items listed below would be evaluated based on schedule, funding agency compliance, project cost and ease of operation.

1) **Evaluation of Existing Treatment Building Reuse**: Re-purposing the existing treatment building as a chemical building will require many possible modifications to electrical, fire suppression, chemical containment and HVAC. Evaluating the cost impacts of retro-fitting the existing building versus building a new chemical building will be essential. In addition, the construction sequencing and overall duration of construction could significantly be decreased by building a new chemical building that can be constructed concurrently to the new treatment building.

2) **New Building Type**: Tilt-Up Concrete, Pre-Engineered Metal and CMU would all be evaluated for use on the project.

3) **Is the 30'X30' break room an essential piece of the project with the existing lab/office for the WWTP in close proximity**? If a new chemical building is constructed in lieu of re-purposing the existing treatment building, could a break room be constructed in the existing building?

Discuss project schedule and phasing. Identify and address challenges with the preliminary sequence of activities identified herein.

Maintaining Operations during Construction, Sequencing, and Project Shutdowns

The correct sequencing of work is critical to minimizing impacts with plant maintenance, operation and compliance. It is vital that project staff from Hensel Phelps work closely with the plant staff at the WTP to solidify our working knowledge of the plant while obtaining as much information as possible. All of the work we execute must be done safely and completed without impacting plant operations. This begins and ends with the overall project schedule and why it's important for all team members to provide input from the very beginning. Also, detailed start-up and commissioning schedules must be created as soon as the information is available, to help identify potential overlap early on. Open and honest communication is and will remain one of the most important tools to minimize impacts to plant maintenance, operation and compliance.

Challenges with the Preliminary Sequence of Activities

We have identified the following challenges with the preliminary sequence of activities identified in our schedule and the RFQ. As a project team, it is important that we achieve a agreeable GMP estimate during late fall 2023. This will allow for contracting and procurement to begin allowing for a late fall 2023 construction notice to proceed. To control cost and schedule, starting construction then will give us time to complete the new foundations and building prior to winter.

The most significant challenge to the schedule revolves around operations of the new plant with a temporary chemical system while the existing building is retrofitted as the new chemical building. Our current schedule shows the temporary chemical systems being online during the summer months reducing the risk of freezing chemicals during the winter. A thorough operational plan of the temporary chemical systems will be essential. This will include a full integrated system including SCADA call outs to operators if any chemical system goes down. As we understand the project, during the summer months there is extremely limited production and storage capacity for the Town and any extended shutdown of the plant would cause significant issues for the Town.

Identify the work elements critical to the Project's success and how these components will be addressed.

We believe the following elements are vital to success during preconstruction:

- We will participate as a member of the project team in evaluating existing plant operations, construction materials, and sequencing of construction and design and arrangement of project components.
- Provide budget costs as design or final project elements are determined. Additionally, provide value engineering assistance to determine options that may reduce the total construction costs of the project.
- Provide an overall preliminary project schedule which identifies critical path elements and potential elements which might require pre-procurement to meet necessary completion dates. On your projects these could include the Actiflo system, modulating valves, and electrical equipment such as the MCC and VFDs.
- Participate as a member of the project team by creating a method of procedure (MOP) which details specific needs/requirements associated with the overall project requirements. As an example, an MOP for the change over of chemicals from the temporary system to the final system would include safety measures for dealing with chemicals, any logout and tagout required for the systems, detailed testing of the new chemical systems prior to the changeover and specifics on the procedure of completing the change over. This effort will be beneficial to the to project team and most importantly operations by outlining all project tasks and ensuring that all participants are clear and understand what detailed and specific measures/products will be used. Planning for all activities will help ensure no unplanned interruptions to the existing plant operations occur.

Critical elements during the construction phase include:

- Application and receipt of any permits, i.e., building, highway access, stormwater, dewatering, etc.
- Project management including attendance at progress meetings, master schedule updates, submittal and request for information generation and approval, pay applications, operation and maintenance manual creation, quality assurance plan and execution.
- Site supervision will include strict adherence with project safety and site security measures, creation and communication with Hensel Phelps employees and subcontractors of emergency evacuation protocols, attendance at progress meetings, three week look ahead schedules, submittal review and assurance of compliance, subcontractor management, material inspections and conformance with quality assurance plan, weekly review of stormwater management measures, daily review of traffic control efforts if required and completion of as-built drawings.
- Creation and execution (with others) of commissioning, start-up and operational training sessions, as required.

In addition, we understand the importance of compliance with funding agency requirements given that the Town of Silt, as the loan recipient, depends on successfully providing these in order to receive project funding without penalty. We will work to make this process as seamless as possible while not tying up unneeded resources on rework or non-compliance, allowing all parties to focus on the actual construction of the project.

Describe the process for developing the GMP including the approach to establishing contingency and for developing early-out equipment and/or construction packages.

Our approach to GMP development includes determining the timing of the GMP based on the Town of Silt's need for financing as well as the design milestones for the project. Our understanding is that the Town of Silt would like to have a GMP established at 60% design to allow time to pursue funding from the State of Colorado Revolving Fund. Contingency in the GMP is estimated based on the level of drawing detail and major trade purchasing that has been completed prior to establishing the

GMP. Major trades are identified early during preconstruction based on construction needs, long lead items, manpower availability or other important items during the design evolution. Typical major trades include electrical, integration and controls, mechanical & plumbing, equipment, and pre-engineered metal buildings. Minor trades and other system components that are needed as part of construction are not typically purchased prior to the GMP development. We assemble trade input and our historical knowledge of treatment plant construction costs along with the most current GMP documents to form the GMP.

Contingencies

During the GMP development process, contingencies are budgeted sums to cover undefined and unanticipated scopes of work, as well as other inflationary pressures given the state of the world today. There are two types of contingencies that are used as separate line items in the GMP estimate.

Construction Contingency

Based on the level of documents, we can adjust the construction contingency accordingly so that we can provide a GMP which we will not exceed. This contingency budget is managed by Hensel Phelps in conjunction with the Town to pay for items such as: unanticipated weather protection; unanticipated safety protection measures; extended duration for material handling equipment; and other increases to the Cost of the Work. Construction contingency is provided for the exclusive use of the contractor, but any unused construction contingency remaining will be returned to the Town at a negotiated percentage. In no event will a contractor's contingency exceed the GMP amount.

Owner Contingency

Included based on the Owner's recommendation and will be used at the exclusive use of the owner for any scope changes, enhancements, design progression or other item as the owner sees fit. Any remaining owners contingency will be returned in full to the owner. The suggested amount of these contingencies depends on the level of design completeness and coordination of the documents but typically ranges between 2-5% of the value of the GMP.

Early Out Equipment

We have developed various mitigation efforts to manage the ongoing challenges being posed by the long-term effects of COVID-19 and ongoing inflation. As is well known, subcontractors and material suppliers have experienced a significant level of disruption related to material shortages, delays, price increases, and labor shortages. We will collaborate with the Town of Silt and Dewberry to determine which equipment makes the most sense to have early procurement packages. We will also engage with the team to bring on key subcontractors during the preconstruction period so the team can rely on their expertise for pricing and material availability. Additional ways to mitigate these impacts include providing 2-3 approved alternate material choices for piping, valves, and other construction material, as well as developing an approved list of backup material suppliers/subcontractors and identifying scope items to be self-performed.

Describe how the Proposer will adhere to the GMP during construction.

Adherence to the GMP during the Construction Phase

Hensel Phelps maintains rigorous cost control and project accounting systems that are critical to accurately track current costs, forecast final costs, and provide real-time financial status of the project at any time. Our cost control begins immediately with award of the work and the establishment of an initial baseline estimate. After establishing the baseline estimate, we use several important tools to ensure costs are controlled and projected accurately throughout the project. These tools include our proprietary trend estimate process; the design action log; interim milestone estimates and variance reports; the GMP estimate; and financial status reports.

Describe the communication approach and tools that will be utilized to ensure the timely delivery of high-quality services and coordination.

ProjectSight to Facilitate Communication

We believe that throughout the life of any project, real-time access to the latest information is critical to the success of the job. Therefore, Hensel Phelps uses an Internet-based collaborative project management software system called *ProjectSight* that is available for use by the entire project team.

Identify and discuss Project risk factors and the approach for mitigation.

Risks Specific to this Project and Mitigation Approach

Hensel Phelps has identified the following risk factors associated with this project. We believe with proper planning during pre-construction much of the risk associated with these items can be mitigated.

BABA Requirements for Materials – Our pre-construction team will work with SRF, material vendors, Hannah Seely, our Compliance Coordinator, the Town, and Dewberry to ensure that the materials that the project is designed around meet the BABA requirements. Hensel Phelps will provide guidance to the project team informing them as new information is made available concerning BABA.

Project Team Partnering – Although Hensel Phelps has worked with members of the Dewberry team previously, the Town of Silt is a new client. We believe it is critical to establish specific goals for the project to make sure we as the CMAR are meeting the expectations of the Town. It would be our intention to conduct project kickoff partnering sessions to establish these goals.

Lead Time of Materials – In a post-COVID economy we are all aware of the lack of availability of specific items associated with treatment plant construction. Currently the materials with the longest lead times that can affect your project are electrical. This can relate to items such as VFDs and MCCs that our electrical contractor would provide to electrical transformers that the electric provider would provide. Bringing a pre-qualified electrical trade partner onto our team would give us insight on material lead times and allow us to ensure our schedule accurately reflects these lead times.

Unplanned Disruptions to Operating the Treatment Plant – When working on the site of your operating treatment plant, we will work with operations staff to ensure that no unplanned interruptions to water operations occur. Providing a comprehensive start-up and training program with commissioning the plant with temporary chemical systems will be imperative. More importantly, we will schedule the final switchover to the new chemical facility during low flow times to ensure impacts to operations are as limited as possible.

Provide a project schedule showing all key milestones, and identification of the specific approaches to meeting the schedule. Describe construction sequencing ideas.

Our construction schedule incorporates the following approach to meet the project goals. From the information in the RFQ and through correspondence with industry partners, our current schedule shows completing the treatment building prior to the summer of 2025 alleviating water demand concerns the Town may be facing. Our schedule incorporates two substantial completions: one for the operation of the new treatment building and a second for the successful completion of the chemical building.

- Beginning construction upon approval of the GMP for the project. We would anticipate beginning work in November of 2023 to allow us to complete the major milestones of the project as shown in our schedule.
- Although subject to change, we have reached out to potential vendors and trade partners that could be utilized on this project to identify current lead times for specific equipment. The electrical VFDs, HVAC Equipment, Actiflo System and Electrical Generator procurement were the four items that currently will affect the construction schedule the most. We would purpose early procurement packages for the Electrical VFDs, HVAC Equipment and Electrical Generator after the 60% budget has been submitted to the funding agency. We would continually monitor other commodities and throughout design and inform the team of additional items that may need to be included in early procurement.
- Pot-holing for existing utilities onsite prior to the commencement of construction will allow the design team to adjust design prior to the commencement of construction and avoid delays to the construction.

Please see Appendix E for the project schedule.

APPENDICES

List of Hensel Phelps' Colorado Licenses

Hensel Phelps Construction Co. Licenses

STATE	MUNICIPALITY	LICENSE NUMBER
Colorado	City and County of Denver	Contractor No. 13160
	City and County of Denver - ROW Sidewalk	Business No. 234291
	City and County of Denver - ROW Paving	Business No. 242994
	City and County of Denver - Dept. of Aviation & Public Works	2A General Building Limit: $25M
	City and County of Denver - Hot Works Denver Fire	Permit No. 165176
	City and County of Denver - Alarm Permit	Permit No. 425825
	City and County of Denver	Supervisor No. 1057117
	City of Arvada - Contractor & Structural Concrete	Contractor No. AEC 902
	City of Aurora	Business No. 121408
	City of Aurora - Class A	Contractor No. 2011 574014 00 CL
	City of Aurora - Class A	Supervisor No. 2014 88635600 SL
	City of Aurora - Concrete ROW	Contractor No. 2016 109149200 CL
	City of Aurora - Concrete ROW	Supervisor No. 2015 98271200 SL
	City of Blackhawk	Contractor No. C1118
	City of Boulder	Contractor No. LIC-0960004-07
	City of Boulder ROW	Contractor No. LIC-0960004-28
	City of Brighton	Contractor No. CL-01780
	City & County of Broomfield	Contractor No. OL-17-06987
	City of Central	Contractor No. 18-011
	City of Centennial	Contractor No. CEN-19-11001
	City of Colorado Springs	Contractor No. 1183
	City of Colorado Springs - ROW Concrete	Business No. 50043
	City of Ft. Collins	Contractor No. A-30
	City of Ft. Collins	Supervisor No. 639-A
	City of Glendale	Contractor No. 92377
	City of Golden	Contractor No. 162
	City of Greeley	Contractor No. 2048
	City of Lakewood	Contractor No. 1038
	City of Longmont	Contractor No. A1002545
	City of Louisville	Contractor No. LSVL-000035-2016
	City of Loveland	Contractor No. 2487
	City of Pueblo	Business No. 0003117
	City of Sterling	Contractor No. 2016-107
	City of Thornton	Business No. 22562
	City of Westminster	Contractor No. 60131096
	City of Wheat Ridge	Contractor No. 019799
	Department of Transportation	All Classifications / Unlimited
	Adams County	Contractor No. A250
	Douglas County	Contractor No. A94073
	Jefferson County	Contractor No. 772260
	Larimer County	Contractor No. CL1347
	Routt County/City of Steamboat Springs	Contracto No. C5112
	Summit County	Contractor No. 575
	Town of Gypsum	Contractor No. 1958
	Town of Vail	Contractor No. CT-0447
	Town of Windsor	Business No. BL 004778

Financial Statements

Please find the last 3 years of audited financials as well as the most recent quarterly financial certified by Hensel Phelps' CFO in a separate PDF.

Hensel Phelps is not a publicly traded company.

Surety Letter

TRAVELERS

10825 E Geddes Ave.
Centennial, CO 80112-4591

Phone Number (720) 200-8412
Fax Number (720) 200-8398

February 16, 2023

Town of Silt
231 N. 7th Street
Silt, CO 81652
Attn: Trey Fonner, Public Works Director

RE: Request for Qualifications – CMAR Services for the Silt WTP Improvements Project
Silt, Colorado

Dear Mr. Fonner:

Travelers Casualty and Surety Company, Hartford, CT, (NAIC #19038, A.M. Best rating A++, XV) a subsidiary of The Travelers Companies, Inc., has extended surety credit to Hensel Phelps Construction Co. (Hensel Phelps) and its affiliated companies for more than 60 years in connection with contracts aggregating billions of dollars. It is our opinion that Hensel Phelps is one of the most outstanding design-build and general construction organizations in the United States. Their skill, integrity, and financial responsibility are unquestioned.

Our established work program for Hensel Phelps authorizes this organization to bid contracts with performance and payment bond obligations up to $350 Million per project as part of a total $12 Billion aggregate backlog of work. Hensel Phelps has sufficient bonding capacity that exceeds the potential project cost of $25 Million, coincidentally with current and anticipated workloads. Should you enter into a contract with Hensel Phelps, it is our present intention to provide performance and payment bonds as required.

Please note this authorization is subject to our standard underwriting throughout the proposal process, including a review of acceptable bond forms, contract financing, contract terms, and other standard underwriting considerations.

If you have any questions please contact the surety company or the surety agent:

Kris Fox, Travelers Casualty and Surety Company
10825 E Geddes Ave., Centennial, CO 80112-4591, (800) 525-8552

Royal Lovell, Flood and Peterson
P.O. Box 578, Greeley, CO 80632, (800) 356-2295

Sincerely,

Kelly T. Urwiller

Kelly T. Urwiller, Attorney-in-Fact
Travelers Casualty and Surety Company

TRAVELERS

Travelers Casualty and Surety Company of America
Travelers Casualty and Surety Company
St. Paul Fire and Marine Insurance Company

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That Travelers Casualty and Surety Company of America, Travelers Casualty and Surety Company, and St. Paul Fire and Marine Insurance Company are corporations duly organized under the laws of the State of Connecticut (herein collectively called the "Companies"), and that the Companies do hereby make, constitute and appoint **Kelly T Urwiller** of **GREELEY** , **Colorado** , their true and lawful Attorney(s)-in-Fact to sign, execute, seal and acknowledge any and all bonds, recognizances, conditional undertakings and other writings obligatory in the nature thereof on behalf of the Companies in their business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

IN WITNESS WHEREOF, the Companies have caused this instrument to be signed, and their corporate seals to be hereto affixed, this **21st** day of **April**, **2021**.

State of Connecticut

City of Hartford ss.

By: ______________________
Robert L. Raney, Senior Vice President

On this the **21st** day of **April**, **2021**, before me personally appeared **Robert L. Raney**, who acknowledged himself to be the Senior Vice President of each of the Companies, and that he, as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing on behalf of said Companies by himself as a duly authorized officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission expires the **30th** day of **June, 2026**

Anna P. Nowik, Notary Public

This Power of Attorney is granted under and by the authority of the following resolutions adopted by the Boards of Directors of each of the Companies, which resolutions are now in full force and effect, reading as follows:

RESOLVED, that the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the Company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her; and it is

FURTHER RESOLVED, that the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary; and it is

FURTHER RESOLVED, that any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary; or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority; and it is

FURTHER RESOLVED, that the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any Power of Attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such Power of Attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding on the Company in the future with respect to any bond or understanding to which it is attached.

I, **Kevin E. Hughes**, the undersigned, Assistant Secretary of each of the Companies, do hereby certify that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies, which remains in full force and effect.

Dated this 16th day of February, 2023.

Kevin E. Hughes, Assistant Secretary

To verify the authenticity of this Power of Attorney, please call us at 1-800-421-3880.
Please refer to the above-named Attorney(s)-in-Fact and the details of the bond to which this Power of Attorney is attached.

Sworn Statement from Hensel Phelps' General Counsel

HENSEL PHELPS
Plan. Build. Manage.

LEGAL DEPARTMENT
420 Sixth Avenue
Greeley, Colorado 80631
970.352.6565

February 13, 2023

Trey Fonner
Public Works Director, Town of Silt
231 N. 7th Street
PO Box 70
Silt, Colorado 81652
trey@townofsilt.org

Mr. Fonner,

Hensel Phelps does not have any pending or past legal proceedings and judgments, or any contingent liability that could adversely affect the financial position or ability to perform contractual commitments to the Town of Silt, Colorado.

I, Robert P. Majerus, Vice President and General Counsel of Hensel Phelps Construction Co., do hereby certify under PENALTY OF PERJURY under the laws of the State of Colorado that the above paragraph is true and correct.

Robert P. Majerus
Vice President and General Counsel

World-Class Innovators. Landmark Buildings. Inspiring Performance.

Insurance Letter

Flood & Peterson

February 16, 2023

Town of Silt
231 N. 7th Street
Silt, CO 81652
Attn: Trey Fonner, Public Works Director

RE: Request for Qualifications – CMAR Services for the Silt WTP Improvements Project
Silt, Colorado

Dear Mr. Fonner:

As insurance agent for Hensel Phelps Construction Co. and authorized representative for their carrier, Zurich American Insurance Company, I can verify that Hensel Phelps Construction Co. has the ability to obtain coverage at the limits specified in Attachment C, Article 6 - Bonds and Insurance of the above referenced RFQ, including Commercial General Liability, Automobile Liability, Workers' Compensation and Employer's Liability, Umbrella Liability, Pollution Liability, Professional Liability, Unmanned Aerial Vehicle (Drone) Liability and Builder's Risk Coverage, as indicated by the attached Certificate of Insurance.

Please contact our office if you have questions or additional information is required.

Sincerely,

Kelly T. Urwiller

Kelly T. Urwiller
Senior Account Manager

970.356.0123
floodpeterson.com

Certificate of Insurance

ACORD® CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 02/15/2023

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Flood and Peterson
PO Box 578
Greeley CO 80632

CONTACT NAME: Denise Hill-Holligan
PHONE (A/C, No, Ext): (970) 356-0123 FAX (A/C, No): (970) 330-1867
E-MAIL ADDRESS: Dhillholligan@floodpeterson.com

INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A :	Zurich American Insurance Company	16535
INSURER B :	American Zurich Insurance Company	40142
INSURER C :	American Guarantee and Liability Insurance Company	26247
INSURER D :	XL Insurance America, Inc.	24554
INSURER E :	National Fire & Marine Ins. Co.	20079
INSURER F :	Steadfast Insurance Company	26387

INSURED
Hensel Phelps Construction Co.
Hydro District
77 NW Frontage Road
Fort Collins CO 80524

COVERAGES **CERTIFICATE NUMBER:** X24 Master 60M UM/CPPI/ **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	[X] COMMERCIAL GENERAL LIABILITY; [ ] CLAIMS-MADE [X] OCCUR; GEN'L AGGREGATE LIMIT APPLIES PER: [ ] POLICY [X] PRO-JECT [ ] LOC; OTHER:	Y	Y	GLO369726418	01/01/2023	01/01/2024	EACH OCCURRENCE	$ 6,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 500,000
							MED EXP (Any one person)	$
							PERSONAL & ADV INJURY	$ 6,000,000
							GENERAL AGGREGATE	$ 10,000,000
							PRODUCTS - COMP/OP AGG	$ 10,000,000
								$
A	AUTOMOBILE LIABILITY; [X] ANY AUTO; [ ] OWNED AUTOS ONLY [ ] SCHEDULED AUTOS; [X] HIRED AUTOS ONLY [X] NON-OWNED AUTOS ONLY	Y	Y	BAP369726118	01/01/2023	01/01/2024	COMBINED SINGLE LIMIT (Ea accident)	$ 5,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
C	[X] UMBRELLA LIAB [X] OCCUR; [ ] EXCESS LIAB [ ] CLAIMS-MADE; [ ] DED [ ] RETENTION $			AUC928038421	01/01/2023	01/01/2024	EACH OCCURRENCE	$ 10,000,000
							AGGREGATE	$ 10,000,000
							(Addt'l Limits Attached)	$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY; ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) Y/N: N; If yes, describe under DESCRIPTION OF OPERATIONS below	N / A	Y	WC369726519	01/01/2023	01/01/2024	[X] PER STATUTE [ ] OTH-ER	
							E.L. EACH ACCIDENT	$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000
F	Professional & Pollution Liability			EOC937461719	01/01/2023	01/01/2024	Each Occurrence	$25,000,000
							Aggregate	$25,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

RE: Request for Qualifications - CMAR Services for the Silt WTP Improvements Project
Town of Silt, Engineer, and Zancanella and Associates, Inc. and the respective officers, directors, members, partners, employees, and consultants are included as Additional Insured as required by written contract. The coverage is primary and non-contributory to any other valid and/or collectible insurance to the fullest extent the law allows per policy terms and conditions. Waiver of subrogation applies.

CERTIFICATE HOLDER

Town of Silt
231 N. 7th Street
Silt CO 81652

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
Jeri Valdez

ACORD 25 (2016/03)

AGENCY CUSTOMER ID: ______
LOC #: ______

ACORD®

ADDITIONAL REMARKS SCHEDULE

Page ___ of ___

AGENCY Flood and Peterson		NAMED INSURED Hensel Phelps Construction Co.
POLICY NUMBER Various		
CARRIER Various	NAIC CODE	EFFECTIVE DATE: 01/01/2023

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,
FORM NUMBER: 25 **FORM TITLE:** Certificate of Liability Insurance: Notes

2-D) XL Insurance America, Inc. Umbrella US00095537LI23A $15,000,000 Each Occurrence / Aggregate

3-C) American Guarantee and Liability Ins. Co. AEC422694503 $15,000,000 Each Occurrence / Aggregate

4-E) National Fire & Marine Ins. Co. 42-XSF-31308603 $20,000,000 Each Occurrence / Aggregate

TOTAL UMBRELLA POLICY LIMITS: $60,000,000 EACH OCCURRENCE / $60,000,000 AGGREGATE

F) Steadfast Insurance Co. (NAIC #26387)

UNMANNED AIRCRAFT POLICY:
American Alternative Insurance Corporation (NAIC #19720); Policy #9031341; $10,000,000 Per Occurrence

A) Zurich American Insurance Company, Master Builders Risk, MBR359006418:
Job Specific Builders Risk Policy with Job Specific Policy Number and Project Limit

ACORD 101 (2008/01)

EMR Letter

Flood & Peterson

February 16, 2023

Town of Silt
231 N. 7th Street
Silt, CO 81652
Attn: Trey Fonner, Public Works Director

RE: Hensel Phelps Construction Co. - Experience Modification Factors
Request for Qualifications – CMAR Services for the Silt WTP Improvements Project
Silt, Colorado

Dear Mr. Fonner:

As insurance agent for Hensel Phelps Construction Co. and authorized representative of their Workers' Compensation insurance carrier, Zurich American Insurance Company, I can certify Hensel Phelps' Interstate Experience Modification Factors for the past three years are as follows:

2022: .61
2021: .63
2020: .56

If you have any questions, please feel free to contact me.

Sincerely,

Kelly T. Urwiller

Kelly T. Urwiller
Senior Account Manager

970.356.0123
floodpeterson.com

YEARS OF EXPERIENCE
Industry 21 | With Hensel Phelps 21

EDUCATION
B.S., Construction Management; Colorado State University

Denotes project example shown in Part 4

PRESTON RANDALL

PROJECT DIRECTOR/PROJECT MANAGER

Preston provides our project teams and clients the leadership and vision crucial to the success of each project assigned. By implementing our proven systems, he assures that all client budgetary and quality goals are met. These systems evaluate project finances, schedule and schedule management, resource allocation and quality assurance. Preston's experience working as a Project Director and Project Manager on multiple water treatment plant expansion/ improvement projects will provide essential expertise to the Town of Silt throughout this project.

SELECT PROJECT EXPERIENCE

Wellington Water Treatment Plant Expansion | CMAR | $34M - Project Director
The project will provide a new 4.2 MGD WTP that includes a new chemical facility, ozone facility, pipeline ozone contractor, treatment facility, three solids drying beds, two equalization ponds, recycle pump station, backwash equalization pump station, modifications to the existing clearwell, connection to emergency supply from ditch, site and yard piping modifications, and modifications to the existing chemical building. Preconstruction includes delivering a progressive GMP and the procurement of Ozonation system equipment.

Sterling Water Treatment Plant | Design-Bid-Build | $15M - Project Manager
This project involved the construction of a new 10MGD reverse osmosis water treatment plant. Main treatment plant site includes 20,500 SF chemical building and includes a process and administration area. An additional 4,000 SF chemical building sits adjacent to the main building and provides chemical pumps and storage. Plant includes two cast in place water storage tanks, chemical feed systems, three RO trains, concentrate pumping system and process and yard piping. Concentrate water from the RO skids is disposed of in two deep wells. A deep well pump station was constructed to pump concentrate water into one fo the deep wells.

Buffalo Water Treatment Plant | Design-Bid-Build | $10M - Project Manager
This project included the construction of a new 32,000 SF pre-treatment building. The building had two Leopold DAF trains capable of 4MGD each. Also included bulk chemical storage and feed equipment.

Bellvue Water Treatment Plant - Package B | CMAR | $25M - Project Director
This improvement project entailed the construction of two 10 million gallons per day (MGD) conventional treatment trains, including a single rapid mix, three-stage horizontal paddle flocculation with redwood baffles, plate settlers, vacuum sludge collector equipment in each basin, and a total of six filters. The work included the installation of a master PLC for the plant and the controls for new filters and pre-treatment equipment, as well as the construction of a new raw water metering vault with low-flow and high-flow metering capacities equipped with chemical injection points and isolation valves.

Drake Water Reclamation Facility Process Train Improvements | $15M - QC Manager
BNR improvements to the North and South Process Trains, including site demolition, concrete basins for the Anaerobic and Anoxic zones, and rebuilding the aeration basins with the addition of high-speed direct drive blowers.

CHAD OELTJENBRUNS

SITE SUPERINTENDENT

Chad's leadership expertise has evolved from the on-site supervision of both self-performed labor, trade partners and the management of all aspects of quality control. His recent pre-planning efforts and home office support has provided him with a well-rounded knowledge of what makes a project successful. His supervisory strengths include labor relations, labor supervision, labor cost control, equipment selection, contract administration, safety management and various scheduling techniques. He actively participates in in-house superintendent training programs to establish the consistency and quality that Hensel Phelps demands.

YEARS OF EXPERIENCE
Industry 16 | With Hensel Phelps 16

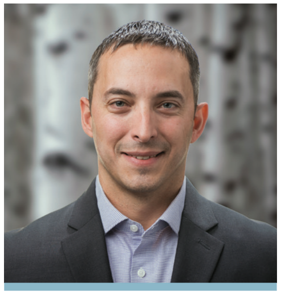
EDUCATION
B.S., Construction Management; Colorado State University

SELECT PROJECT EXPERIENCE

SFCSD WRF Phase 1 Expansion & Improvements | CM at Risk | $35M - Project Superintendent
Project included the improvements needed to increase the capacity of the WRF to 6 MGD from 4.5 MGD along with nutrient removal facilities required to meet CDPHE Regulation 85 effluent standards. In addition to the expansion, the project included improvements to the solids handling facilities to reuse biosolids to comply with CFR 503 biosolids regulation. The project added several new facilities: a step feed aeration basin, blower building, secondary clarifier, Autothermal Thermophilic Aerobic Digestion (ATAD), and a biofilter.

Fort Collins Water Treatment Plant Improvements | Alternate Product Delivery System | $15M - Project Superintendent
The project involved construction of a 2.5 MG concrete Chlorine Contact Basin facility with a 72 inch inlet pipe, serpentine flow configurations with six passes for chlorine contact time, effluent weir, two 54 inch outlet pipes, and replacing and upsizing an existing 36" DIP, as well as associated appurtenances. Along with the construction of the CCB, media filter reconstruction, carbon dioxide tank and evaporator install and electrical MCC, VFDs and ATS replacement construction occurred.

Drake Water Reclamation Facility Process Train Improvements | Alternate Product Delivery System | $15M - Project Superintendent
BNR improvements to the North and South Process Trains, including site demolition, concrete basins for the Anaerobic and Anoxic zones, and rebuilding the aeration basins with the addition of high-speed direct drive blowers. Work included installation of MLR pumps and piping, equipment replacement, and all electrical, instrumentation, and controls integrated into the existing SCADA system.



MIKE FERRARO

SENIOR ESTIMATOR

As Senior Estimator, Mike is a "cost management representative" who assists in establishing preliminary budgets and final cost estimates. He is experienced in all aspects of procurement for hard bid, conceptual, and design-build projects; as well as preconstruction cost controls involving cost estimating, cost analysis, and value engineering. He has performed cost estimates for all phases of design (schematic design, design development, and construction documents) and assists the total team (owner, designer, builder, and user) in achieving the common goal of completing projects within budget and without sacrificing quality.

YEARS OF EXPERIENCE
Industry 24 | With Hensel Phelps 15

EDUCATION
B.S., Construction Management; Colorado State University

SELECT PROJECT EXPERIENCE

Johnstown Central Sewer Ph. 1 Lift Station | CMAR | $4M - Senior Estimator
This project involved the construction of a raw sewage submersible pump lift station on existing gravity main to serve the new force main to the Wastewater Treatment Plant.

Loveland 29th Street Lift Station Improvements | CMAR | $1M - Senior Estimator
Upgrades to the existing 29th Street Lift Station include wet well piping, yard piping, valve vault, and valve vault piping. Additionally, a new generator and building will be installed with upgraded electrical equipment.

Loveland Bus Barn and Taft Lift Station Improvements| CMAR | $2M - Senior Estimator
This job includes upgrades to the existing Bus Barn & Taft Lift Stations' wet well, piping, yard piping, valve vault and associated electrical, instrumentation and controls.

Wellington Water Treatment Plant Expansion | CMAR | $34M - Senior Estimator
The project will provide a new 4.2 MGD WTP that includes a new chemical facility, ozone facility, pipeline ozone contractor, treatment facility, three solids drying beds, two equalization ponds, recycle pump station, backwash equalization pump station, modifications to the existing clearwell, connection to emergency supply from ditch, site and yard piping modifications, and modifications to the existing chemical building. Preconstruction includes delivering a progressive GMP and the procurement of Ozonation system equipment.

Boyd Lake Water Treatment Plant Alum Building | CMAR | $2M - Senior Estimator
This project includes modifications of the Alum Tank building to provide a temperature-controlled space. This project includes demolition of (2) 6,000-gallon alum tanks; (2) 8,000-gallon Sodium Hydroxide tanks; (4) chemical feed pumps and panels; and 10 cubic yards of structural concrete wall removal in the containment area. The structural modifications to the existing exterior containment area to support a 1,600SF metal building included (4) new 6,500-gallon alum tanks; (1) new alum feed panel; and relocation of (2) existing alum feed pumps. This project includes SCADA integration.

BRANDON HOLMES

CONSTRUCTION MANAGER/ASSISTANT PROJECT MANAGER

Brandon will respond to all day-to-day requirements and concerns of the client. He has experience in developing and monitoring project master schedules, estimating, job cost reports, and establishing and implementing effective communication procedures for all team components. He has worked closely with a variety of corporate clients on a wide range of project types under various contracting methods including design-build, CM/GC, and fixed price. Recognized in the industry for his ability to isolate and resolve various design and compliance issues early in a project's evolution, his aptitude and expertise are evidenced in the many successful projects with which he has been involved.

YEARS OF EXPERIENCE
Industry 6 | With Hensel Phelps 6

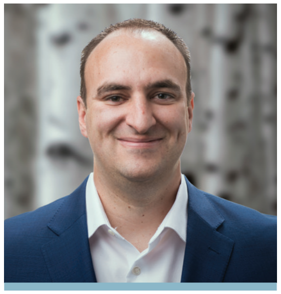
EDUCATION
B.S., Civil Engineering; Colorado School of Mines

SELECT PROJECT EXPERIENCE

Wellington Water Treatment Plant Expansion | CMAR | $34M - Project Engineer/Assistant Project Manager
The project will provide a new 4.2 MGD WTP that includes a new chemical facility, ozone facility, pipeline ozone contractor, treatment facility, three solids drying beds, two equalization ponds, recycle pump station, backwash equalization pump station, modifications to the existing clearwell, connection to emergency supply from ditch, site and yard piping modifications, and modifications to the existing chemical building. Preconstruction includes delivering a progressive GMP and the procurement of Ozonation system equipment.

Boyd Lake Water Treatment Plant Alum Building | CMAR | $2M - Project Engineer
This project includes modifications of the Alum Tank building to provide a temperature-controlled space. This project includes demolition of (2) 6,000-gallon alum tanks; (2) 8,000-gallon Sodium Hydroxide tanks; (4) chemical feed pumps and panels; and 10 cubic yards of structural concrete wall removal in the containment area. The structural modifications to the existing exterior containment area to support a 1,600 SF metal building included (4) new 6,500-gallon alum tanks; (1) new alum feed panel; and relocation of (2) existing alum feed pumps. This project includes SCADA integration.

Windsor Wastewater Treatment Facility - Biosolids Management Improvements | CMAR | $16M - Project Engineer
This project includes construction of a new dewatering facility (concrete and masonry) and a digester tank with three cells (concrete). The project will enable the owner to abandon the existing sludge lagoon to a more modern treatment process for dewatering sludge. The digester tanks and dewatering building will replace the lagoon and eliminate having to pay a third party for dredging and hauling sludge from the lagoon. This project includes a Dewatering Building (3-story, 9,753 SF).



YEARS OF EXPERIENCE
Industry 13 | With Hensel Phelps 12

EDUCATION
B.S., Construction Management; Colorado State University

GABE BARNETT

COMMISSIONING/START-UP MANAGER

As the Commissioning and Start-Up Manager, Gabe will be responsible for the commissioning and startup of the water treatment plant. He will lead the development and execution of commissioning and startup plans; lead the development of written procedures for testing, cleaning and initial startup of the major plant equipment and systems; and manage client/vendor/subcontractor coordination for the startup of completed systems. He will manage documentation of the commissioning process, including commissioning data and as-built documentation, input to O&Ms and feedback to the design team.

SELECT PROJECT EXPERIENCE

Granby Solids Handling Improvements | CMAR | $8M - Project Manager
This project includes a new solids handling facility that will be constructed on the site of the existing wastewater facility. The solids handling facility will include two aerobic digesters, one rotary screw thickener, and one screw press for dewatering.

Boyd Lake Water Treatment Plant Alum Building | CMAR | $2M - Project Manager
This project includes modifications of the Alum Tank building to provide a temperature-controlled space. This project includes demolition of (2) 6,000-gallon alum tanks; (2) 8,000-gallon Sodium Hydroxide tanks; (4) chemical feed pumps and panels; and 10 cubic yards of structural concrete wall removal in the containment area. The structural modifications to the existing exterior containment area to support a 1,600 SF metal building included (4) new 6,500-gallon alum tanks; (1) new alum feed panel; and relocation of (2) existing alum feed pumps. This project includes SCADA integration.

Wray Wastewater Treatment Plant | Design/Bid/Build | $5M - Project Manager
Improvements to the wastewater treatment facility including demolition and removal; construction of influent mechanical screen, diversion structures, lift station, and MBBR System. Construction of a new process building with electrical room and equipment, flocculation and disc filtration equipment, chemical feed and storage equipment, blower room and equipment, storage room, and office space. Improvements also included associated site work and piping.

Sterling Water Treatment Plant | Design/Bid/Build | $15M - Project Engineer
This project consists of well improvements and control systems, construction of a process building including the administrative area and process area, chemical building, potable water treatment process consisting of reverse osmosis, disinfection, chemical feed systems, clean in place system, potable water blend stream

YEARS OF EXPERIENCE
Industry 9 | With Hensel Phelps 5

U.S. Army 2 (with Honorable Discharge)

CERTIFICATION
Board of Certified Safety Professionals - Safety Management Specialist (SMS)

OSHA 500

ROSS RIENAU

SAFETY MANAGER

Ross is responsible for supporting the project team in the successful completion of a construction project. He is thoroughly knowledgeable of all safety and health technical requirements, considerations and protective measures to be instituted to achieve an accident-free work site. He is particularly skilled in implementing safety training and performing safety inspections and hazard/risk analysis. His safety experience also translates into review and analysis of all trade partners on-site to assure that all participants of the construction effort maintain the highest safety standards.

SELECT PROJECT EXPERIENCE

Wellington Water Treatment Plant Expansion | CMAR | $34M - Safety Manager
The project will provide a new 4.2 MGD WTP that includes a new chemical facility, ozone facility, pipeline ozone contractor, treatment facility, three solids drying beds, two equalization ponds, recycle pump station, backwash equalization pump station, modifications to the existing clearwell, connection to emergency supply from ditch, site and yard piping modifications, and modifications to the existing chemical building. Preconstruction includes delivering a progressive GMP and the procurement of Ozonation system equipment.

Boyd Lake Water Treatment Plant Alum Building | CMAR | $2M - Safety Manager
This project includes modifications of the Alum Tank building to provide a temperature-controlled space. This project includes demolition of (2) 6,000-gallon alum tanks; (2) 8,000-gallon Sodium Hydroxide tanks; (4) chemical feed pumps and panels; and 10 cubic yards of structural concrete wall removal in the containment area. The structural modifications to the existing exterior containment area to support a 1,600 SF metal building included (4) new 6,500-gallon alum tanks; (1) new alum feed panel; and relocation of (2) existing alum feed pumps. This project includes SCADA integration.

Bellvue Water Treatment Plant - Package B | CMAR | $25M - Safety Manager
This improvement project entailed the construction of two 10 million gallons per day (MGD) conventional treatment trains, including a single rapid mix, three-stage horizontal paddle flocculation with redwood baffles, plate settlers, vacuum sludge collector equipment in each basin, and a total of six filters. The work included the installation of a master PLC for the plant and the controls for new filters and pre-treatment equipment, as well as the construction of a new raw water metering vault with low-flow and high-flow metering capacities equipped with chemical injection points and isolation valves. A 21,652 SF metal building was constructed over the two 10 MGD treatment trains, which included a new control room, offices, break room and laboratory. Additional work included site improvements, electrical, instrumentation and control and system start-up. The project increased plant capacity from 25 MGD to 45 MGD.

DAVE HILLBRAND *CIVIL PRECONSTRUCTION SERVICES*

YEARS OF EXPERIENCE
Industry 30 | With Gould Construction 6

EDUCATION
B.S., Construction Management; Colorado State University

Dave has vast experience throughout the state solving construction challenges. He is intimately familiar with estimating having served that role for several companies. He is intimately familiar with project management in the mountain region having performed project management roles for hundreds of millions worth of work in place. Dave understands not only the entire construction process but also the importance of good relationships and teamwork. He knows that it takes the entire team, from the owner all the way to the delivery person, to make projects work well. He creates project cultures with open communication and a win-win mentality. Dave is also very good at learning what the owner wants so that design and value engineering can accomplish the goal. Dave's working relationships with Gould's subcontractors allow Hensel Phelps' proposed team to provide qualified trade partners at a good price.

Dave has served as Senior Project Manager, Senior Estimator, Estimator, Project Manager, Project Scheduler, Purchasing Manager, Site Supervisor and Utility Supervisor over his years in the business. His experience means he brings a unique perspective to practical constructability review and a realistic approach to project scheduling. He has worked in heavy civil, industrial, mining, municipal and commercial construction markets throughout Colorado.

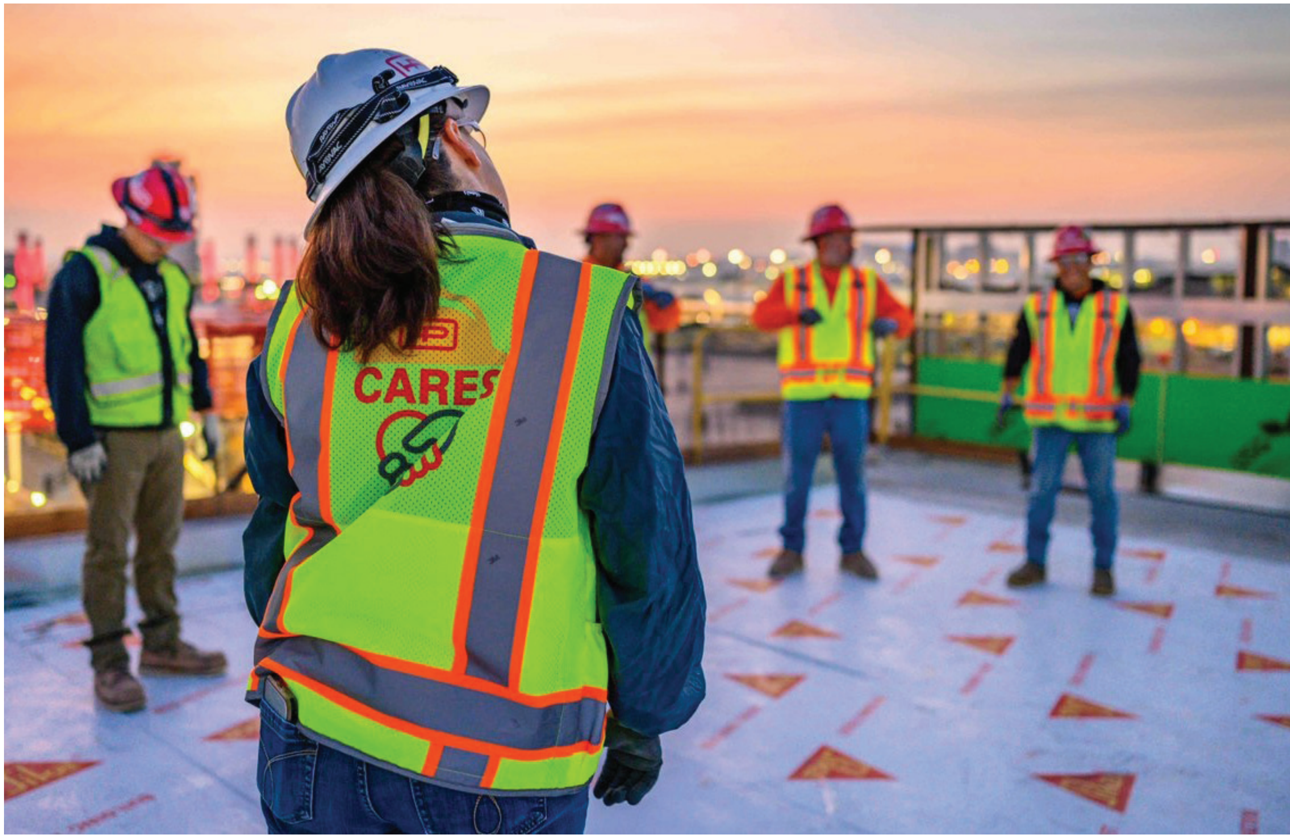
HANNAH SEELY *COMPLIANCE COORDINATOR*

As the Compliance Coordinator, Hannah provides oversight to ensure compliance with project specific DBE requirements in accordance with SRF funding specifications. In this capacity, she conducts extensive outreach and develops community, small and local business partnering, and workforce incorporation programs. Hannah develops disadvantaged business development strategies and implements the corporate subcontractor Technical Assistance Program at the project level. She provides support for Mentor-Protégé programs, engages industry-based organizations and coordinates outreach initiatives with project management.

YEARS OF EXPERIENCE
Industry 9 | With Hensel Phelps 12

EDUCATION
B.S., Construction Management; Colorado State University

MBA, Western Governors University



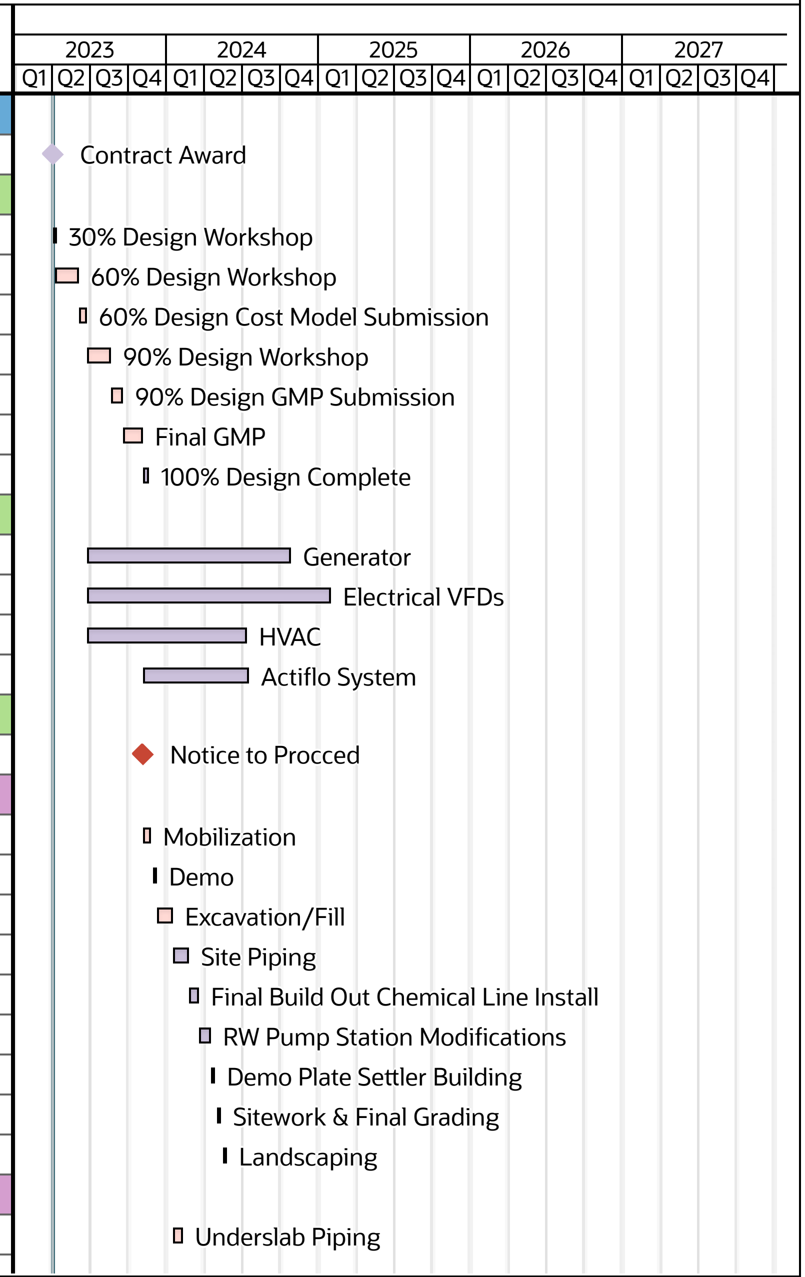
Hensel Phelps does not have any contract comments.

Per the RFQ, Appendix D is attached as a separate PDF.

Please find the schedule in the following pages.

Town of Silt Water Treatment Plant Improvements

ID	Name	Planned Duration	Start	Finish
Town of Silt Water Treatment Plant Improveme...		693d	28-Mar-23	20-Nov-25
A1110	Contract Award	0d	28-Mar-23	
Pre-Construction		167d	28-Mar-23	15-Nov-23
A1020	30% Design Workshop	5d	28-Mar-23	03-Apr-23
A1100	60% Design Workshop	40d	04-Apr-23	29-May-23
A1290	60% Design Cost Model ...	15d	30-May-23	19-Jun-23
A1300	90% Design Workshop	40d	20-Jun-23	14-Aug-23
A1310	90% Design GMP Submis...	22d	15-Aug-23	13-Sep-23
A1320	Final GMP	35d	14-Sep-23	01-Nov-23
A1330	100% Design Complete	10d	02-Nov-23	15-Nov-23
Submittals/Procurement		420d	20-Jun-23	27-Jan-25
A1050	Generator	350d	20-Jun-23	21-Oct-24
A1200	Electrical VFDs	420d	20-Jun-23	27-Jan-25
A1190	HVAC	275d	20-Jun-23	08-Jul-24
A1210	Actiflo System	180d	02-Nov-23	10-Jul-24
Construction		536d	02-Nov-23	20-Nov-25
A1440	Notice to Procced	0d	02-Nov-23	
Site Work		140d	02-Nov-23	15-May-24
A1530	Mobilization	15d	02-Nov-23	22-Nov-23
A1150	Demo	10d	23-Nov-23	06-Dec-23
A1040	Excavation/Fill	25d	07-Dec-23	10-Jan-24
A1120	Site Piping	30d	11-Jan-24	21-Feb-24
A1380	Final Build Out Chemical ...	15d	22-Feb-24	13-Mar-24
A1130	RW Pump Station Modifi...	20d	14-Mar-24	10-Apr-24
A1140	Demo Plate Settler Building	10d	11-Apr-24	24-Apr-24
A1500	Sitework & Final Grading	10d	25-Apr-24	08-May-24
A1510	Landscaping	5d	09-May-24	15-May-24
Treatment Building		280d	11-Jan-24	05-Feb-25
A1060	Underslab Piping	20d	11-Jan-24	07-Feb-24

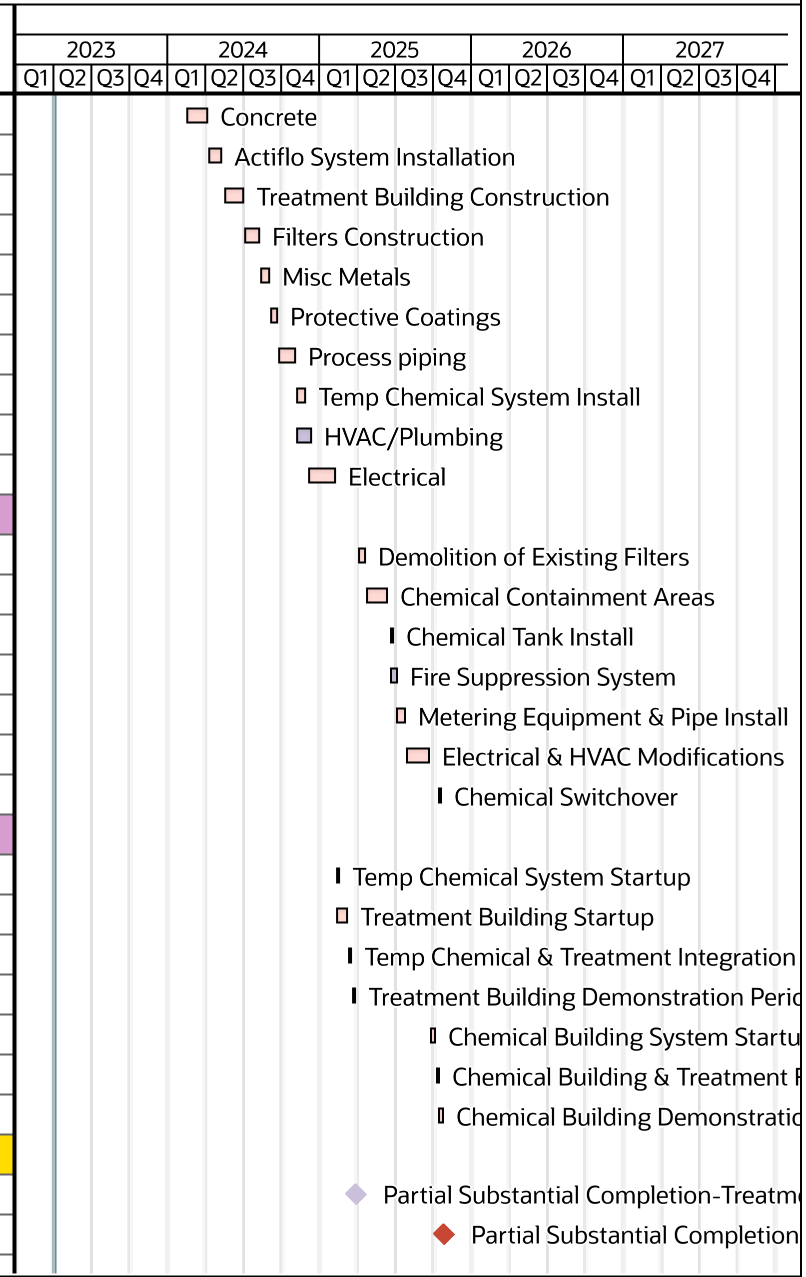


HENSEL PHELPS
Plan. Build. Manage.

Scheduled By: Preston Randall
Planned Start: 28-Mar-23
Planned Finish: 20-Nov-25

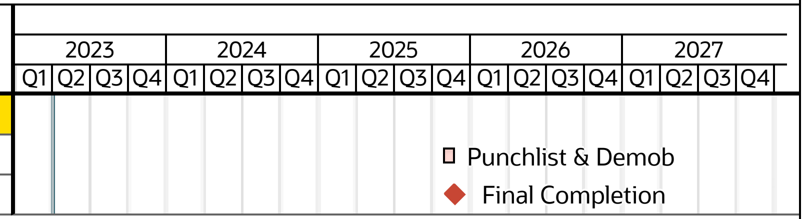
Town of Silt Water Treatment Plant Improvements

ID	Name	Planned Duration	Start	Finish
A1230	Concrete	40d	08-Feb-24	03-Apr-24
A1240	Actiflo System Installation	25d	04-Apr-24	08-May-24
A1250	Treatment Building Cons...	35d	09-May-24	26-Jun-24
A1260	Filters Construction	30d	27-Jun-24	07-Aug-24
A1270	Misc Metals	15d	08-Aug-24	28-Aug-24
A1280	Protective Coatings	15d	29-Aug-24	18-Sep-24
A1340	Process piping	30d	19-Sep-24	30-Oct-24
A1450	Temp Chemical System I...	20d	31-Oct-24	27-Nov-24
A1350	HVAC/Plumbing	30d	31-Oct-24	11-Dec-24
A1360	Electrical	50d	28-Nov-24	05-Feb-25
Existing Treatment Building		141d	27-Mar-25	09-Oct-25
A1070	Demolition of Existing Fil...	15d	27-Mar-25	16-Apr-25
A1160	Chemical Containment A...	40d	17-Apr-25	11-Jun-25
A1170	Chemical Tank Install	10d	12-Jun-25	25-Jun-25
A1520	Fire Suppression System	15d	12-Jun-25	02-Jul-25
A1180	Metering Equipment & Pi...	20d	26-Jun-25	23-Jul-25
A1370	Electrical & HVAC Modific...	40d	24-Jul-25	17-Sep-25
A1480	Chemical Switchover	1d	09-Oct-25	09-Oct-25
Start-Up & Commissioning		206d	06-Feb-25	20-Nov-25
A1390	Temp Chemical System S...	5d	06-Feb-25	12-Feb-25
A1400	Treatment Building Startup	20d	06-Feb-25	05-Mar-25
A1410	Temp Chemical & Treatm...	5d	06-Mar-25	12-Mar-25
A1460	Treatment Building Dem...	10d	13-Mar-25	26-Mar-25
A1420	Chemical Building Syste...	10d	18-Sep-25	01-Oct-25
A1430	Chemical Building & Trea...	5d	02-Oct-25	08-Oct-25
A1490	Chemical Building Demo...	10d	10-Oct-25	23-Oct-25
Substantial Completion		0d		23-Oct-25
A1470	Partial Substantial Compl...	0d		26-Mar-25
A1080	Partial Substantial Compl...	0d		23-Oct-25



Town of Silt Water Treatment Plant Improvements

ID	Name	Planned Duration	Start	Finish
Final Completion		20d	24-Oct-25	20-Nov-25
A1540	Punchlist & Demob	20d	24-Oct-25	20-Nov-25
A1090	Final Completion	0d		20-Nov-25



HENSEL PHELPS
Plan. Build. Manage.

Scheduled By: Preston Randall
Planned Start: 28-Mar-23
Planned Finish: 20-Nov-25

HENSEL PHELPS

Plan. Build. Manage.

HENSEL PHELPS
Plan. Build. Manage.

420 Sixth Avenue
Greeley, CO 80631
970.352.6565

February 20, 2023

To Whom It May Concern,

As Chief Financial Officer of Hensel Phelps Construction Co., I certify that the Company's financial capacity has not materially changed from the December 31, 2021 audited financial statements. Also, I am not aware of any pending changes that would have a material effect to the Company's financial capacity in the next reporting period. Please see attached the December 31, 2022 unaudited financial statements.

Sincerely,

Jennifer K. Scholz

Jennifer K Scholz
Hensel Phelps Construction Co.
Chief Financial Officer

HENSEL PHELPS CONSTRUCTION CO.
BALANCE SHEET
December 31, 2022

ASSETS

Current Assets	
Cash and Temporary Cash Investments	758,863,514
Account and Notes Receivable	1,179,053,400
Marketable Securities	657,564,820
Other Current Assets	11,571,192

Total Current Assets	2,607,052,926
Notes Receivable	11,340,198
Deposits and Miscellaneous	90,767,079
Property Assets	
Construction Equip, Vehicles, Office Furniture, Airplane, Land Buildings and Improvements at Cost - $191,293,950 Less Accumulated Deprec. of $77,614,383	113,679,567

Total Assets	$2,822,839,770
	==============

LIABILITIES AND PARTNERS' EQUITY

Current Liabilities	
Accounts Payable and Advances	1,886,537,879
Estimated Completion Costs	4,660,000
Accrued Expenses	103,955,569
Other Current Liabilities	127,285,428

Total Current Liabilities	2,122,438,876
Long-Term Debt	24,838,027
Deferred Compensation	262,516,785
Partners' Equity	413,046,082

Total Liabilities and Partners' Equity	$2,822,839,770
	==============

HENSEL PHELPS CONSTRUCTION CO.
STATEMENT OF INCOME
FOR THE PERIOD ENDING
December 31, 2022

Earned Revenue	6,347,230,612
Cost of Earned Revenue	5,839,505,177

Gross Margin from construction operations	507,725,435
Administrative expenses	143,027,986

Income from construction operations	364,697,449
Other income (expense):	(106,481,503)

Net income	$258,215,946
	============

HENSEL PHELPS
Plan. Build. Manage.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Financial Statements and Supplementary Schedule – Schedule of Operating Expenses

December 31, 2019

(With Independent Auditors' Report Thereon)

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

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KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

The Board of Directors
Hensel Phelps Construction Co.:

We have audited the accompanying consolidated financial statements of Hensel Phelps Construction Co. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of earnings, comprehensive income, partners' capital, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hensel Phelps Construction Co. and its subsidiaries as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Operating Expenses (supplementary information) included on page 19 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Denver, Colorado
April 27, 2020

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2019

(In thousands)

Assets		
Current assets:		
Cash and cash equivalents	$	561,486
Marketable securities		499,316
Accounts receivable:		
Due on contracts		578,452
Other		4,519
Contract assets:		
Contract retainage		278,989
Costs and estimated earnings in excess of billings on uncompleted contracts		14,427
Notes receivable – current		175
Other current assets		8,653
Total current assets		1,946,017
Notes receivable, less current portion		13,223
Property and equipment, net		79,276
Other assets		55,123
Total assets	$	2,093,639
Liabilities and Partners' Capital		
Current liabilities:		
Accounts and subcontractors payable	$	589,244
Retainages withheld from subcontractors		280,825
Estimated contract completion costs		5,455
Billings in excess of costs and estimated earnings on uncompleted contracts		476,499
Accrued expenses		90,558
Current portion of deferred compensation		53,090
Current portion of long-term debt		37,056
Total current liabilities		1,532,727
Long-term debt, less current portion		20,049
Deferred compensation		210,906
Total liabilities		1,763,682
Partners' capital:		
Partners' capital		50,887
Retained earnings		275,666
Accumulated other comprehensive income		3,404
Total partners' capital		329,957
Commitments and contingencies (notes 12 and 13)		
Total liabilities and partners' capital	$	2,093,639

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Earnings

Year ended December 31, 2019

(In thousands)

Earned revenue	$	5,676,652
Cost of earned revenue		5,318,895
Gross margin from operations		357,757
Operating expenses		104,005
Income from operations		253,752
Other income (expense):		
Interest and dividend income		14,914
Deferred compensation expense		(84,312)
Interest expense		(1,590)
Aircraft expense		(1,098)
Incentive compensation expense		(856)
Other expense, net		(3,716)
Net income	$	177,094

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

Year ended December 31, 2019

(In thousands)

Net income	$	177,094
Other comprehensive income:		
Net change in unrealized holding gains		7,318
Reclassification of unrealized holding gains in net income		(512)
Other comprehensive income		6,806
Comprehensive income	$	183,900

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Partners' Capital

Year ended December 31, 2019

(In thousands)

Balances, January 1, 2019	$	249,956
Net income		177,094
Other comprehensive income		6,806
Change in capital accounts of partners, net		14,514
Distributions to partners		(118,413)
Balances, December 31, 2019	$	329,957

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended December 31, 2019

(In thousands)

Cash flows from operating activities:		
Net income	$	177,094
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		9,791
Loss on sale of property and equipment		218
Gain on disposition of marketable securities		(512)
Changes in assets and liabilities:		
Decrease in accounts receivable		36,553
Increase in contract assets		(65,266)
Increase in other current assets		(339)
Increase in other assets		(6,583)
Increase in accounts and subcontractors payable and retainages withheld from subcontractors		182,685
Increase in estimated contract completion costs		160
Increase in billings in excess of costs and estimated earnings on uncompleted contracts		55,873
Increase in accrued expenses		10,244
Increase in deferred compensation		39,231
Cash flows provided by operating activities		439,149
Cash flows from investing activities:		
Acquisition of property and equipment		(35,357)
Proceeds from the sales of property and equipment		1,098
Sale of marketable securities		378,790
Purchase of marketable securities		(480,660)
Issuance of notes receivable		(5,661)
Repayments of notes receivable		4,737
Cash flows used in investing activities		(137,053)
Cash flows from financing activities:		
Principal payments on long-term debt		(45,636)
Distributions to partners		(113,910)
Change in capital accounts of partners, net		20,850
Cash flows used in financing activities		(138,696)
Increase in cash and cash equivalents		163,400
Cash and cash equivalents, beginning of year		398,086
Cash and cash equivalents, end of year	$	561,486

See accompanying notes to consolidated financial statements.

(1) Operations and Summary of Significant Accounting Policies

Hensel Phelps Construction Co. (the Company) is a Delaware general partnership. The general partnership is owned by two affiliated companies, Hensel Phelps Parent 1 and Hensel Phelps Parent 2 (Parent Companies). These affiliated companies are Delaware corporations that have elected to be an S Corporation for income tax purposes. The principal business activity of the Company is to operate as a general contractor on construction projects throughout the United States. The consolidated financial statements include the accounts of the Company and its primary subsidiaries, Hensel Phelps Development LLC, and Hensel Phelps Services, LLC, which are wholly owned. All significant intercompany transactions have been eliminated in consolidation.

(a) Revenue Recognition

Construction contracts. The Company recognizes construction contract revenue over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Construction contracts are generally accounted for as a single performance obligation. The Company generally provides limited assurance type warranties to customers for work performed under contracts; however, as the warranties are not sold separately and do not provide customers with a service, the Company does not account for them as a separate performance obligation.

Revenue is recognized using the percentage-of-completion method, based primarily on contract costs incurred to date compared to total estimated contract costs. The percentage-of-completion method accurately depicts the Company's contract performance as it directly measures the value of the goods and services transferred to the customer. No gross margins are recognized on construction contracts until the contract is 10% complete and then only when progress reaches a point where experience is sufficient to estimate financial results with reasonable accuracy.

The Company makes revisions in its cost estimates as required during the course of construction. These revisions are reflected in the accounting period in which the facts that require such revisions become known. At the time an estimated loss on a contract becomes known, the entire amount of the estimated loss is recognized.

Construction contract revenues totaled approximately $5,669,857,000 for the year ended December 31, 2019. Customer payments on construction contracts are typically due within 30 days of billing.

Service contracts. For all service contracts in which the Company has the right to consideration from the customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date, the Company utilizes the 'as invoiced' practical expedient and revenue is recognized when services are performed and contractually billable.

Service contract revenues totaled approximately $6,795,000 for the year ended December 31, 2019. Customer payments on service contracts are typically due within 30 days of billing.

Contract assets and Liabilities. Contract assets represent a conditional right to consideration arising from revenue recognized where the right is conditional on something other than the passage of time and include contract retainage and costs and estimated earnings in excess of billings on uncompleted contracts on the consolidated balance sheet. The Company's contracts allow for progress billings to the customer as contract costs are incurred. At times the customer retains a portion of payments from the Company's progress billings until satisfactory completion of a contract, which is referred to as contract retainage. This amount varies on a contract by contract basis. Costs and estimated earnings in excess of billings on uncompleted contracts represent revenue recognized in advance of amounts billed. Contract liabilities represent amounts billed to customers in advance of revenue recognized. Contract liabilities are presented as billings in excess of costs and estimated earnings on uncompleted contracts on the consolidated balance sheet.

Variable consideration. The nature of the Company's contracts give rise to several types of variable consideration, including claims and unpriced change orders, award and incentive fees, shared savings, and liquidated damages. Variable consideration estimates are only included within the transaction price to the extent that a significant reversal would not be probable.

(b) Classification of Current Assets and Current Liabilities

In accordance with normal practice in the construction industry, the Company includes asset and liability accounts relating to construction contracts in current assets and current liabilities even when such amounts are realizable or payable over a period in excess of one year. Retainages are generally not received by the Company or paid to the subcontractor until completion of the construction project and acceptance by the project owner. The length of the Company's contracts varies but is typically between one and two years.

(c) Depreciation

The Company computes depreciation using principally the straight-line method, over estimated useful lives of 39 years for buildings and improvements, 10 years for aircraft, 7 years for office equipment, and 3 to 5 years for construction equipment.

(d) Cash and Cash Equivalents

For purposes of the consolidated balance sheet and consolidated statement of cash flows, the Company considers all highly liquid investments to be cash equivalents. At December 31, 2019, the Company held approximately $39,009,000 of retainage in cash and cash equivalents.

The Company's cash and cash equivalents are financial instruments that are exposed to concentrations of credit risk. The Company invests its cash with high-credit quality federally insured institutions. Cash balances with any one institution may be in excess of federally insured limits or may be invested in non-federally insured money market accounts. The Company has not realized any losses in such cash investments or accounts and believes it is not exposed to any significant credit risk.

(e) Marketable Securities

The Company classifies its marketable securities as available-for-sale. The Company has no trading securities or held to maturity securities. The Company's available-for-sale marketable securities consist of bonds, notes, debentures, and other securities. The securities are reported at estimated fair

(Continued)

value in the consolidated balance sheet. Unrealized holding gains and losses are reported as a net amount in a separate component of partners' capital until realized.

Marketable securities are analyzed for credit loss (the difference between the present value of cash flows expected to be collected and the amortized cost basis). The credit loss, if any, will then be recognized in earnings as realized losses, while the balance of the decline of fair value related to other factors will be recognized in accumulated other comprehensive loss.

There were no losses on other-than-temporarily impaired securities for the year ended December 31, 2019. Gains and losses on disposal of marketable securities are computed using the specific-identification method.

(f) Long-Lived Assets

The Company assesses the carrying value of its long-lived assets for impairment when circumstances indicate such amounts may not be recoverable from future operations. Generally, assets to be held and used in operations are considered impaired if the sum of expected undiscounted future net cash flows is less than the assets' carrying amount. If an impairment is indicated, the loss is measured based on the amount by which the assets' carrying amounts exceed their fair value. Assets to be disposed of are reported at the lower of their carrying value or fair value less estimated selling costs. No impairment was recognized in 2019.

(g) Cash Flows

Interest paid on long-term debt was approximately $1,645,000 for the year ended December 31, 2019.

The Company had the following non-cash items for the year ended December 31, 2019:

Partners' capital account converted to debt	$ 6,336,000
Partners' distribution used to reduce note receivables	$ 4,503,000

(h) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accounting for such long-term contracts requires significant judgment and is inherently complex. It is reasonably likely that actual results will differ from management's estimates throughout performance under the contracts and that changes in estimates and actual results could have a material impact on the Company's financial position and results of operations.

The Company estimates the total contract cost and the extent of progress toward completion of lump-sum contracts and recognizes a loss if the total estimated costs exceed the lump sum. The actual costs to complete the project could differ from those estimates.

The Company has not recorded an allowance for doubtful accounts based on management's assessment of the creditworthiness of the Company's customers and a prior history of minimal write-offs.

(2) New Accounting Pronouncement

The Company adopted ASC Topic 606, Revenue from Contracts with Customers on January 1, 2019 using the modified retrospective method. Accordingly, the new guidance was applied retrospectively to contracts which were not completed as of January 1, 2019. Contracts completed prior to January 1, 2019 were accounted for using the guidance in effect at that time. Consistent with the modified retrospective method, prior periods financial statements were not adjusted nor restated to conform with the current period presentation. The resulting adjustments from the adoption of ASC Topic 606 were captured in the current period.

The impact of the adoption on the Company's consolidated balance sheet as of January 1, 2019 was primarily a reclassification of accounts receivable retainage due on contracts to contract retainage based on whether an unconditional right to consideration exists or not. The adoption, including the reclassification, did not have an impact to the Company's opening capital. The impact of the adoption on the Company's consolidated statement of earnings and consolidated statement of cash flows for the period ended December 31, 2019 was minimal.

Contract assets and contract liabilities for the year were as follows (in thousands):

	Balance at January 1, 2019	Balance at December 31, 2019
Assets		
Accounts receivable:		
Due on contracts	$ 615,659	$ 578,452
Other	3,865	4,519
Contract assets:		
Contract retainage	212,580	278,989
Costs and estimated earnings in excess of billings on uncompleted contracts	15,570	14,427
Liabilities		
Billings in excess of costs and estimated earnings on uncompleted contracts	420,626	476,499

(3) Marketable Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of available-for-sale securities by major security type and class of security at December 31, 2019 were as follows:

		Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
			(In thousands)		
Available-for-sale:					
U.S. Treasury securities	$	83,143	215	(246)	83,112
Mortgage-backed securities		31,011	135	(254)	30,892
Municipal bonds		259,170	3,266	(206)	262,230
Corporate bonds		122,588	524	(30)	123,082
	$	495,912	4,140	(736)	499,316

Expected maturities of debt securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Maturities of debt securities classified as available-for-sale were as follows at December 31, 2019:

		Amortized cost	Fair value
		(In thousands)	
Available-for-sale:			
Due within one year	$	114,793	115,102
Due after one year through five years		265,805	268,460
Due after five years		115,314	115,754
	$	495,912	499,316

Gross realized gains included in other expense, net during the year ended December 31, 2019 were $921,000 and gross realized losses included in other expense, net was $409,000.

Unrealized losses on securities that have been in a continuous unrealized loss position are not significant at December 31, 2019.

The fair value of available-for-sale marketable securities is determined using the following inputs:

- Level 1 – Quoted prices (unadjusted) in active markets for identical investments at the measurement date.
- Level 2 – Pricing inputs are other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. Level 2 pricing inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, inputs other than quoted prices that are observable for the investment, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Pricing inputs are unobservable for the investment and are based on the Company's own assumptions about the assumptions that a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the investment in its entirety falls is determined based on the lowest level input that is significant to the investment in its entirety. Assessing the significance of a particular input to the investment in its entirety requires judgment, and considers factors specific to the investment.

The following table categorizes all available-for-sale marketable securities as of December 31, 2019 based on valuation input level:

	Level 1 – Unadjusted quoted price	Level 2 – Other significant observable inputs	Level 3 – Significant unobservable inputs	Fair value
		(In thousands)		
U.S. Treasury securities	$ —	83,112	—	83,112
Mortgage-backed securities	—	30,892	—	30,892
Municipal bonds	—	262,230	—	262,230
Corporate bonds	—	123,082	—	123,082
Total	$ —	499,316	—	499,316

Cash equivalents are carried at cost, which approximates fair value due to their short maturities.

(4) Notes Receivable

A summary of notes receivable at December 31, 2019 is as follows (in thousands):

Notes receivable – employees	$	13,223
Notes receivable – other		175
		13,398
Less current portion		(175)
Notes receivable, less current portion	$	13,223

Notes receivable from employees include approximately $6,822,000 in notes receivable secured by deeds of trust and approximately $6,401,000 in unsecured notes receivable at December 31, 2019. Notes receivable earn interest at variable interest rates and include approximately $5,419,000 of notes receivable that are noninterest bearing at December 31, 2019. The impact of recording interest on these notes receivable is insignificant. Notes receivable are generally due on demand.

(5) Property and Equipment

A summary of property and equipment, at cost, at December 31, 2019 is as follows (in thousands):

Land and improvements	$	6,984
Buildings and improvements		54,176
Aircraft		11,683
Construction equipment		65,090
Office equipment		3,382
		141,315
Less accumulated depreciation		(62,039)
	$	79,276

Depreciation expense totaled approximately $9,791,000 for the year ended December 31, 2019.

(6) Partnership Investments

The Company has invested in various construction partnerships, which are accounted for using the proportionate consolidation method, whereby the Company's undivided interest of the assets, liabilities, revenue, and expenses is consolidated. All intercompany transactions and balances are eliminated in consolidation.

(7) Long-Term Debt

A summary of long-term debt at December 31, 2019 is as follows (in thousands):

Notes payable, with interest at a variable rate (2.29% at December 31, 2019 to former partners, unsecured, principal, and interest payable in annual and quarterly installments)	$	57,105
		57,105
Less current portion		(37,056)
Long-term debt, less current portion	$	20,049

Annual maturities of long-term debt are as follows (in thousands):

Year ending December 31:		
2020	$	37,056
2021		17,353
2022		2,696
2023 and thereafter		—
Total	$	57,105

(8) Income Taxes

No provision for federal income taxes is necessary in the Company’s consolidated financial statements because as a General Partnership, the Company is not subject to federal income taxes and the tax effect of its activities accrues to the owners.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(9) Notes to Parent Companies

The Company has promissory notes to the Parent Companies equal to the principal amount of all unpaid stock notes within each company. The principal amount of the notes is automatically increased and decreased without any action and is included within the change in capital accounts of partners, net in the accompanying consolidated statement of partners’ capital.

(10) Deferred Compensation

The Company has a deferred compensation plan (S Unit Plan) under which S Units are granted to key employees. S Units vest at the rate of 20% each year unless different vesting arrangements are determined by the board of directors at grant date.

Plan earnings are credited to each S Unit holder based on the net income of the Company. The following summarizes the changes in deferred compensation:

	Number of S Units		Value (In thousands)
Outstanding, December 31, 2018	642,925		225,545
Granted	78,400		—
S Units reacquired	(56,800)		(14,925)
Distributions to S Unit holders	—		(32,906)
Earnings allocated	—		82,015
Outstanding, December 31, 2019	664,525	$	259,729

Deferred compensation is payable to the S Unit holder upon termination of employment, death, or permanent disability. The Company makes payments on deferred compensation balances in excess of $400,000 over a period of four years.

The Company has a deferred compensation plan (I Unit Plan) for employees not eligible for the S Unit Plan. I Unit grants vest at a rate of 20% each year unless different vesting arrangements are determined by the board of directors at grant date.

	Number of I Units		Value (In thousands)
Outstanding, December 31, 2018	16,600		3,054
Granted	3,750		—
I Units reacquired	(4,200)		(713)
Distributions to I Unit holders	—		(371)
Earnings allocated	—		2,297
Outstanding, December 31, 2019	16,150	$	4,267

Deferred compensation is payable to the I Unit holder upon termination of employment, death, or permanent disability. In addition, the fully vested deferred compensation balance is paid out to the participants every five years.

The amount of deferred compensation under the S Unit Plan and the I Unit Plan is determined using the intrinsic value method.

(11) Retirement Plans

Salaried employees of the Company participate in a qualified retirement plan (the Plan). The defined contribution plan allows participants to contribute a portion of their compensation to the Plan. The annual contribution is determined at the discretion of the board of directors and totaled approximately $24,399,000 for the year ended December 31, 2019.

Hourly employees of the Company participate in another qualified retirement plan. The Plan is a defined contribution plan in which employee contributions are not permitted. The annual contribution is determined at the discretion of the board of directors and totaled approximately $2,474,000 for the year ended December 31, 2019.

(12) Contingent Liabilities

(a) Legal Proceedings

The Company is involved in various matters of litigation routine to the nature of its business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, consolidated results of operations, or liquidity.

(b) Guarantees

The Company provides repayment guarantees to construction loan lenders for amounts borrowed by affiliated organizations that are accounted for as equity-method investments and not consolidated herein. Those guarantees amount to approximately $26,309,000 as of December 31, 2019. The guarantees are secured by the assets of the Company.

If the supplier defaults on a payment, the Company would have to perform under the guarantee. The Company monitors the financial performance of the supplier on a frequent basis, and also evaluates the availability of supplies from alternate sources. No amounts have been accrued as a loss contingency related to this guarantee because payment by the Company is not probable.

(13) Leases

The Company has entered into various operating leases with initial terms from one to thirteen years. Total rent expense for the Company's operating leases was approximately $3,101,000 for the year ended December 31, 2019.

The following summarizes the future minimum rental payments under leases with noncancelable terms continuing beyond December 31, 2019 (in thousands):

Year ending December 31:		
2020	$	2,474
2021		2,331
2022		1,801
2023		1,655
2024 and thereafter		10,860
Total	$	19,121

(14) Related-Party Transactions

The Company is the main policyholder with an insurance company, a related party, that provides insurance coverage for workers' compensation, general liability, and automobile liability, each with a $1,000,000 limit per occurrence, with annual aggregate limits of $4,500,000. The insurance company provides builders risk coverage with $150,000 limit per occurrence. All of the policies are written as corporate reimbursement policies, whereas the Company pays the actual claims and is reimbursed by the insurance company. The insurance company also provides the stop loss for medical claims in excess of $325,000. During the year ended December 31, 2019, the Company paid insurance premiums totaling approximately $3,925,000.

(15) Subsequent Events

Subsequent to year end, a pandemic related to COVID-19 was declared. The pandemic represents a market risk factor including uncertainty in the construction industry. The Company will continue to monitor market conditions as information is available and evaluate the potential impacts, if any, on the Company's operations.

The Company has evaluated all other subsequent events from the balance sheet date through April 27, 2020, the date in which the consolidated financial statements were available to be issued, and determined there are no other items to disclose.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Supplementary Schedule – Schedule of Operating Expenses

Year ended December 31, 2019

(In thousands)

Operating expenses:		
Payroll and payroll related expenses	$	53,672
Incentive compensation		24,640
Rent and utilities		6,591
Donations and sponsorships		2,766
Other employee benefits		3,004
Travel and lodging		2,159
Vehicles		2,364
Professional fees		1,512
Education and training		1,627
Supplies		1,208
Other		4,462
Total operating expenses	$	104,005

See accompanying independent auditors' report.

HENSEL PHELPS
Plan. Build. Manage.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Financial Statements and Supplementary Schedule – Schedule of Operating Expenses

December 31, 2020

(With Independent Auditors' Report Thereon)

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

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Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

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We have audited the accompanying consolidated financial statements of Hensel Phelps Construction Co. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of earnings, comprehensive income, partners' capital, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As more fully disclosed in Note 5 to the consolidated financial statements, the Company has a controlling interest in the Ascend Apollo, LLC and Aspire Apollo II, LLC joint ventures which are recorded under the equity method of accounting with the net investment balance included in the other assets caption in the accompanying consolidated balance sheet. U.S. generally accepted accounting principles require these entities for which the Company has a controlling interest to be consolidated.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hensel Phelps Construction Co. and its subsidiaries as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Operating Expenses (supplementary information) included on page 22 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Denver, Colorado
April 27, 2021

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2020

(In thousands)

Assets		
Current assets:		
Cash and cash equivalents	$	480,997
Marketable securities		532,495
Accounts receivable:		
Due on contracts		694,826
Other		13,554
Contract assets:		
Contract retainage		315,476
Costs and estimated earnings in excess of billings on uncompleted contracts		9,967
Notes receivable – current		110
Other current assets		9,032
Total current assets		2,056,457
Notes receivable, less current portion		11,488
Property and equipment, net		90,455
Other assets		88,157
Total assets	$	2,246,557
Liabilities and Partners' Capital		
Current liabilities:		
Accounts and subcontractors payable	$	616,522
Retainages withheld from subcontractors		312,819
Estimated contract completion costs		4,735
Billings in excess of costs and estimated earnings on uncompleted contracts		503,430
Accrued expenses		96,391
Current portion of deferred compensation		59,840
Current portion of long-term debt		33,549
Total current liabilities		1,627,286
Long-term debt, less current portion		17,231
Deferred compensation		237,397
Total liabilities		1,881,914
Partners' capital:		
Partners' capital		63,495
Retained earnings		286,989
Accumulated other comprehensive income		14,159
Total partners' capital		364,643
Commitments and contingencies (notes 11 and 12)		
Total liabilities and partners' capital	$	2,246,557

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Earnings

Year ended December 31, 2020

(In thousands)

Earned revenue	$	5,868,525
Cost of earned revenue		5,483,822
Gross margin from operations		384,703
Operating expenses		114,714
Income from operations		269,989
Other income (expense):		
Interest and dividend income		13,793
Deferred compensation expense		(92,499)
Interest expense		(985)
Aircraft expense		(1,303)
Incentive compensation expense		(2,667)
Other expense, net		(4,750)
Net income	$	181,578

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

Year ended December 31, 2020

(In thousands)

Net income	$	181,578
Other comprehensive income:		
Net change in unrealized holding gains		10,464
Reclassification of unrealized holding losses in net income		292
Other comprehensive income		10,756
Comprehensive income	$	192,334

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Partners' Capital

Year ended December 31, 2020

(In thousands)

Balances, January 1, 2020	$	329,957
Net income		181,578
Other comprehensive income		10,756
Change in capital accounts of partners, net		(13,523)
Distributions to partners		(144,125)
Balances, December 31, 2020	$	364,643

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended December 31, 2020

(In thousands)

Cash flows from operating activities:		
Net income	$	181,578
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		11,518
Gain on sale of property and equipment		(511)
Loss on disposition of marketable securities		292
Changes in assets and liabilities:		
Increase in accounts receivable		(125,409)
Increase in contract assets		(32,027)
Increase in other current assets		(379)
Decrease in other assets		759
Increase in accounts and subcontractors payable and retainages withheld from subcontractors		59,272
Decrease in estimated contract completion costs		(720)
Increase in billings in excess of costs and estimated earnings on uncompleted contracts		26,931
Increase in accrued expenses		5,833
Increase in deferred compensation		35,075
Cash flows provided by operating activities		162,212
Cash flows from investing activities:		
Acquisition of property and equipment		(23,306)
Proceeds from the sale of property and equipment		1,120
Contributions to equity method investments		(33,793)
Sale of marketable securities		417,940
Purchase of marketable securities		(440,655)
Issuance of notes receivable		(6,926)
Repayments of notes receivable		2,857
Cash flows used in investing activities		(82,763)
Cash flows from financing activities:		
Principal payments on long-term debt		(37,263)
Distributions to partners		(138,256)
Change in capital accounts of partners, net		15,581
Cash flows used in financing activities		(159,938)
Decrease in cash and cash equivalents		(80,489)
Cash and cash equivalents, beginning of year		561,486
Cash and cash equivalents, end of year	$	480,997

See accompanying notes to consolidated financial statements.

(1) Operations and Summary of Significant Accounting Policies

Hensel Phelps Construction Co. (the Company) is a Delaware general partnership. The general partnership is owned by two affiliated companies, Hensel Phelps Parent 1 and Hensel Phelps Parent 2 (Parent Companies). These affiliated companies are Delaware corporations that have elected to be an S Corporation for income tax purposes. The principal business activity of the Company is to operate as a general contractor on construction projects throughout the United States. The consolidated financial statements include the accounts of the Company and its primary subsidiaries, Hensel Phelps Development LLC, and Hensel Phelps Services, LLC, which are wholly owned. All significant intercompany transactions have been eliminated in consolidation.

(a) Revenue Recognition

Construction contracts. The Company recognizes construction contract revenue over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Construction contracts are generally accounted for as a single performance obligation. The Company generally provides limited assurance type warranties to customers for work performed under contracts; however, as the warranties are not sold separately and do not provide customers with a service, the Company does not account for them as a separate performance obligation.

Revenue is recognized using the percentage-of-completion method, based primarily on contract costs incurred to date compared to total estimated contract costs. The percentage-of-completion method accurately depicts the Company’s contract performance as it directly measures the value of the goods and services transferred to the customer. No gross margins are recognized on construction contracts until the contract is 10% complete and then only when progress reaches a point where experience is sufficient to estimate financial results with reasonable accuracy.

The Company makes revisions in its cost estimates as required during the course of construction. These revisions are reflected in the accounting period in which the facts that require such revisions become known. At the time an estimated loss on a contract becomes known, the entire amount of the estimated loss is recognized.

Construction contract revenues totaled approximately $5,862,040,000 for the year ended December 31, 2020. Customer payments on construction contracts are typically due within 30 to 45 days of billing.

Service contracts. For all service contracts in which the Company has the right to consideration from the customer in an amount that corresponds directly with the value to the customer of the Company’s performance completed to date, the Company utilizes the ‘as invoiced’ practical expedient and revenue is recognized when services are performed and contractually billable.

Service contract revenues totaled approximately $6,485,000 for the year ended December 31, 2020. Customer payments on service contracts are typically due within 30 days of billing.

Contract assets and Liabilities. Contract assets represent a conditional right to consideration arising from revenue recognized where the right is conditional on something other than the passage of time and include contract retainage and costs and estimated earnings in excess of billings on uncompleted contracts on the consolidated balance sheet. The Company's contracts allow for progress billings to the customer as contract costs are incurred. At times the customer retains a portion of payments from the Company's progress billings until satisfactory completion of a contract, which is referred to as contract retainage. This amount varies on a contract by contract basis. Costs and estimated earnings in excess of billings on uncompleted contracts represent revenue recognized in advance of amounts billed. Contract liabilities represent amounts billed to customers in advance of revenue recognized. Contract liabilities are presented as billings in excess of costs and estimated earnings on uncompleted contracts on the consolidated balance sheet.

Contract assets and contract liabilities for the year were as follows (in thousands):

	Balance at January 1, 2020	Balance at December 31, 2020
Assets		
Accounts receivable:		
Due on contracts	$ 578,452	$ 694,826
Other	4,519	13,554
Contract assets:		
Contract retainage	278,989	315,476
Costs and estimated earnings in excess of billings on uncompleted contracts	14,427	9,967
Liabilities		
Billings in excess of costs and estimated earnings on uncompleted contracts	476,499	503,430

Variable consideration. The nature of the Company's contracts give rise to several types of variable consideration, including claims and unpriced change orders, award and incentive fees, shared savings, and liquidated damages. Variable consideration estimates are only included within the transaction price to the extent that a significant reversal would not be probable.

(b) Classification of Current Assets and Current Liabilities

In accordance with normal practice in the construction industry, the Company includes asset and liability accounts relating to construction contracts in current assets and current liabilities even when such amounts are realizable or payable over a period in excess of one year. Retainages are generally not received by the Company or paid to the subcontractor until completion of the construction project and acceptance by the project owner. The length of the Company's contracts varies but is typically between one and two years.

(c) Depreciation

The Company computes depreciation using principally the straight-line method, over estimated useful lives of 39 years for buildings and improvements, 10 years for aircraft, 7 years for office equipment, and 3 to 5 years for construction equipment.

(d) Cash and Cash Equivalents

For purposes of the consolidated balance sheet and consolidated statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At December 31, 2020, the Company held approximately $49,213,000 of retainage in cash and cash equivalents.

The Company's cash and cash equivalents are financial instruments that are exposed to concentrations of credit risk. The Company invests its cash with high-credit quality federally insured institutions. Cash balances with any one institution may be in excess of federally insured limits or may be invested in non-federally insured money market accounts. The Company has not realized any losses in such cash investments or accounts and believes it is not exposed to any significant credit risk.

(e) Marketable Securities

The Company classifies its marketable securities as available-for-sale. The Company has no trading securities or held to maturity securities. The Company's available-for-sale marketable securities consist of bonds, notes, debentures, and other securities. The securities are reported at estimated fair value in the consolidated balance sheet. Unrealized holding gains and losses are reported as a net amount in a separate component of partners' capital until realized.

Marketable securities are analyzed for credit loss (the difference between the present value of cash flows expected to be collected and the amortized cost basis). The credit loss, if any, will then be recognized in earnings as realized losses, while the balance of the decline of fair value related to other factors will be recognized in accumulated other comprehensive loss.

There were no losses on other-than-temporarily impaired securities for the year ended December 31, 2020. Gains and losses on disposal of marketable securities are computed using the specific-identification method.

(f) Long-Lived Assets

The Company assesses the carrying value of its long-lived assets for impairment when circumstances indicate such amounts may not be recoverable from future operations. Generally, assets to be held and used in operations are considered impaired if the sum of expected undiscounted future net cash flows is less than the assets' carrying amount. If an impairment is indicated, the loss is measured based on the amount by which the assets' carrying amounts exceed their fair value. Assets to be disposed of are reported at the lower of their carrying value or fair value less estimated selling costs. No impairment was recognized in 2020.

(g) Cash Flows

Interest paid on long-term debt was approximately $1,053,000 for the year ended December 31, 2020.

The Company had the following non-cash items for the year ended December 31, 2020:

Partners' capital account converted to debt	$ 29,104,000
Partners' distribution used to reduce note receivables	$ 5,869,000

(h) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accounting for such long-term contracts requires significant judgment and is inherently complex. It is reasonably likely that actual results will differ from management's estimates throughout performance under the contracts and that changes in estimates and actual results could have a material impact on the Company's financial position and results of operations.

The Company estimates the total contract cost and the extent of progress toward completion of lump-sum contracts and recognizes a loss if the total estimated costs exceed the lump sum. The actual costs to complete the project could differ from those estimates.

The Company has not recorded an allowance for doubtful accounts based on management's assessment of the creditworthiness of the Company's customers and a prior history of minimal write-offs.

(2) Marketable Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of available-for-sale securities by major security type and class of security at December 31, 2020 were as follows:

		Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
			(In thousands)		
Available-for-sale:					
U.S. Treasury securities	$	66,558	2,053	—	68,611
Mortgage-backed securities		56,866	749	(166)	57,449
Municipal bonds		332,823	10,611	(73)	343,361
Corporate bonds		62,089	1,002	(17)	63,074
	$	518,336	14,415	(256)	532,495

Expected maturities of debt securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Maturities of debt securities classified as available-for-sale were as follows at December 31, 2020:

		Amortized cost	Fair value
		(In thousands)	
Available-for-sale:			
Due within one year	$	55,537	55,888
Due after one year through five years		233,559	240,573
Due after five years		229,240	236,034
	$	518,336	532,495

Gross realized gains included in other expense, net during the year ended December 31, 2020 were $506,000 and gross realized losses included in other expense, net was $798,000.

Unrealized losses on securities that have been in a continuous unrealized loss position are insignificant at December 31, 2020.

The fair value of available-for-sale marketable securities is determined using the following inputs:

- Level 1 – Quoted prices (unadjusted) in active markets for identical investments at the measurement date.
- Level 2 – Pricing inputs are other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. Level 2 pricing inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, inputs other than quoted prices that are observable for the investment, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Pricing inputs are unobservable for the investment and are based on the Company's own assumptions about the assumptions that a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the investment in its entirety falls is determined based on the lowest level input that is significant to the investment in its entirety. Assessing the significance of a particular input to the investment in its entirety requires judgment, and considers factors specific to the investment.

The following table categorizes all available-for-sale marketable securities as of December 31, 2020 based on valuation input level:

	Level 1 – Unadjusted quoted price	Level 2 – Other significant observable inputs	Level 3 – Significant unobservable inputs	Fair value
		(In thousands)		
U.S. Treasury securities	$ —	68,611	—	68,611
Mortgage-backed securities	—	57,449	—	57,449
Municipal bonds	—	343,361	—	343,361
Corporate bonds	—	63,074	—	63,074
Total	$ —	532,495	—	532,495

Cash equivalents are carried at cost, which approximates fair value due to their short maturities.

(3) Notes Receivable

A summary of notes receivable at December 31, 2020 is as follows (in thousands):

Notes receivable – employees	$	11,488
Notes receivable – other		110
		11,598
Less current portion		(110)
Notes receivable, less current portion	$	11,488

Notes receivable from employees include approximately $5,135,000 in notes receivable secured by deeds of trust and approximately $6,353,000 in unsecured notes receivable at December 31, 2020. Notes receivable earn interest at variable interest rates and include approximately $3,726,000 of notes receivable that are noninterest bearing at December 31, 2020. The impact of recording interest on these notes receivable is insignificant. Notes receivable are generally due on demand.

(4) Property and Equipment

A summary of property and equipment, at cost, at December 31, 2020 is as follows (in thousands):

Land and improvements	$	6,984
Buildings and improvements		67,597
Aircraft		11,683
Construction equipment		69,775
Office equipment		3,383
		159,422
Less accumulated depreciation		(68,967)
	$	90,455

Depreciation expense totaled approximately $11,518,000 for the year ended December 31, 2020. Depreciation expense for buildings and improvements is included in operating expenses on the consolidated statement of earnings, and depreciation expense for construction equipment is included in cost of earned revenue on the consolidated statement of earnings.

(5) Partnership and Development Investments

The Company has invested in various construction partnerships, which are accounted for using the proportionate consolidation method, whereby the Company's undivided interest of the assets, liabilities, revenue, and expenses is consolidated. All intercompany transactions and balances are eliminated in consolidation.

Hensel Phelps Development LLC has invested in various development joint ventures. These unconsolidated joint ventures are accounted for under the equity method and the investment balances are included in other assets on the consolidated balance sheet. Our investments in equity method joint ventures on the consolidated balance sheet as of December 31, 2020 was a net asset of $53,300,000, which includes two preferred equity contributions made during 2020.

On April 3, 2020, Hensel Phelps Development LLC made a $14,600,000 preferred equity contribution to the Ascend Apollo, LLC joint venture, which owns and operates a 424 key apartment complex in Maryland. Upon contribution, the Company evaluated the substantive terms of the respective agreements with the joint venture to identify which owner has the power to direct the activities that most significantly impact the entity's economic performance, the obligation to absorb losses, and the right to receive benefits from the entity. Based on the evaluation, the Company has concluded that this joint venture qualifies as a variable interest entity (VIE) for which the Company is the primary beneficiary resulting in a controlling interest. This joint venture has not been consolidated as of and for the period ending December 31, 2020; however, summary financial information of the unconsolidated joint venture, as derived from their December 31, 2020 unaudited financial statements, is as follows (in thousands):

Current assets	$	3,556
Property and equipment, net		75,431
Other assets, net		2,291
Total assets	$	81,278
Current liabilities	$	1,148
Mortgage payable		78,766
Other liabilities		181
Total liabilities	$	80,095
Total members' equity	$	1,183
Total liabilities and members' equity	$	81,278

Summary earnings information, for the period from April 3, 2020 to December 31, 2020, is as follows (in thousands):

Revenue	$	6,448
Expenses, net		8,485
Net loss	$	(2,037)

On May 8, 2020, Hensel Phelps Development LLC made a $16,800,000 preferred equity contribution to the Aspire Apollo II, LLC joint venture, which owns and operates a 384 key apartment complex in Maryland. Upon contribution, the Company evaluated the substantive terms of the respective agreements with the joint venture to identify which owner has the power to direct the activities that most significantly impact the entity’s economic performance, the obligation to absorb losses, and the right to receive benefits from the entity. Based on the evaluation, the Company has concluded that this joint venture qualifies as a VIE for which the Company is the primary beneficiary resulting in a controlling interest. This joint venture has not been consolidated as of and for the period ending December 31, 2020; however, summary financial information of the unconsolidated joint venture, as derived from their December 31, 2020 unaudited financial statements, is as follows (in thousands):

Current assets	$	1,689
Property and equipment, net		89,179
Other assets, net		1,891
Total assets	$	92,759
Current liabilities	$	1,106
Mortgage payable		82,200
Other liabilities		132
Total liabilities	$	83,438
Total members' equity	$	9,321
Total liabilities and members' equity	$	92,759

Summary earnings information, for the period from May 8, 2020 to December 31, 2020, is as follows (in thousands):

Revenue	$	4,507
Expenses, net		7,877
Net loss	$	(3,370)

(Continued)

Owning and operating apartment complexes is not the Company's ordinary course of business. It is the Company's intention to sell its interest within the next few years. As it is outside the ordinary course of business, these entities have not been consolidated as required by GAAP. If the Company were to consolidate Ascend Apollo, LLC and Aspire Apollo II, LLC, and thus eliminate the Company's investments as of December 31, 2020, the Company's resulting consolidated financial information would be as follows (in thousands):

Current assets	$	2,061,702
Property and equipment, net		255,065
Other assets, net		64,265
Total assets	$	2,381,032
Current liabilities	$	1,629,540
Long-term debt, less current portion		178,510
Deferred compensation		237,397
Total liabilities	$	2,045,447
Total partners' capital	$	351,205
Noncontrolling interests		(15,620)
Total noncontrolling interests and partners' capital	$	335,585
Total liabilities and noncontrolling interests and partners' capital	$	2,381,032

If the Company were to consolidate earnings for Ascend Apollo, LLC for the period from April 3, 2020 to December 31, 2020 and Aspire Apollo II, LLC for the period from May 8, 2020 to December 31, 2020, the Company's resulting consolidated financial information for the year ended December 31, 2020 would be as follows (in thousands):

Earned revenue	$	5,868,525
Cost of earned revenue		5,483,822
Gross margin from operations		384,703
Operating expenses		114,714
Income from operations		269,989
Other income (expense)		(93,818)
Net income including noncontrolling interests	$	176,171
Net loss attributable to noncontrolling interests	$	(3,866)
Net income attributable to the Company	$	180,037

(6) Long-Term Debt

A summary of long-term debt at December 31, 2020 is as follows (in thousands):

Notes payable, with interest at a variable rate (2.34% at December 31, 2020 to former partners, unsecured, principal, and interest payable in annual and quarterly installments)	$	50,780
		50,780
Less current portion		(33,549)
Long-term debt, less current portion	$	17,231

Annual maturities of long-term debt are as follows (in thousands):

Year ending December 31:		
2021	$	33,549
2022		9,993
2023		7,238
2024 and thereafter		—
Total	$	50,780

(7) Income Taxes

No provision for federal income taxes is necessary in the Company's consolidated financial statements because as a General Partnership, the Company is not subject to federal income taxes and the tax effect of its activities accrues to the owners.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(8) Notes to Parent Companies

The Company has promissory notes to the Parent Companies equal to the principal amount of all unpaid stock notes within each company. The principal amount of the notes is automatically increased and decreased without any action and is included within the change in capital accounts of partners, net in the accompanying consolidated statement of partners' capital.

(9) Deferred Compensation

The Company has a deferred compensation plan (S Unit Plan) under which S Units are granted to key employees. S Units vest at the rate of 20% each year unless different vesting arrangements are determined by the board of directors at grant date.

Plan earnings are credited to each S Unit holder based on the net income of the Company. The following summarizes the changes in deferred compensation:

	Number of S Units		Value (In thousands)
Outstanding, December 31, 2019	664,525	$	259,729
Granted	73,875		—
S Units reacquired	(28,500)		(8,291)
Distributions to S Unit holders	—		(49,415)
Earnings allocated	—		90,449
Outstanding, December 31, 2020	709,900	$	292,472

Deferred compensation is payable to the S Unit holder upon termination of employment, death, or permanent disability. The Company makes payments on deferred compensation balances in excess of $400,000 over a period of four years.

The Company has a deferred compensation plan (I Unit Plan) for employees not eligible for the S Unit Plan. I Unit grants vest at a rate of 20% each year unless different vesting arrangements are determined by the board of directors at grant date.

Plan earnings are credited to each I Unit holder based on the net income of the Company. The following summarizes the changes in deferred compensation:

	Number of I Units		Value (In thousands)
Outstanding, December 31, 2019	16,150	$	4,267
Granted	1,950		—
I Units reacquired	(3,400)		(852)
Distributions to I Unit holders	—		(701)
Earnings allocated	—		2,051
Outstanding, December 31, 2020	14,700	$	4,765

Deferred compensation is payable to the I Unit holder upon termination of employment, death, or permanent disability. In addition, the fully vested deferred compensation balance is paid out to the participants every five years.

The amount of deferred compensation under the S Unit Plan and the I Unit Plan is determined using the intrinsic value method.

(10) Retirement Plans

Salaried employees of the Company participate in a qualified retirement plan (the Plan). The defined contribution plan allows participants to contribute a portion of their compensation to the Plan. The annual contribution is determined at the discretion of the board of directors and totaled approximately $28,408,000 for the year ended December 31, 2020.

Hourly employees of the Company participate in another qualified retirement plan. The Plan is a defined contribution plan in which employee contributions are not permitted. The annual contribution is determined at the discretion of the board of directors and totaled approximately $2,562,000 for the year ended December 31, 2020.

(11) Contingent Liabilities

(a) Legal Proceedings

The Company is involved in various matters of litigation routine to the nature of its business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, consolidated results of operations, or liquidity.

(b) Guarantees

The Company provides repayment guarantees to construction loan lenders for amounts borrowed by affiliated organizations that are accounted for as equity-method investments and not consolidated herein. Those guarantees amount to approximately $27,848,000 as of December 31, 2020. The guarantees are secured by the assets of the Company.

If the supplier defaults on a payment, the Company would have to perform under the guarantee. The Company monitors the financial performance of the supplier on a frequent basis, and also evaluates the availability of supplies from alternate sources. No amounts have been accrued as a loss contingency related to this guarantee because payment by the Company is not probable.

(12) Leases

The Company has entered into various operating leases with initial terms from two to thirteen years. Total rent expense for the Company's operating leases was approximately $3,101,000 for the year ended December 31, 2020.

The following summarizes the future minimum rental payments under leases with noncancelable terms continuing beyond December 31, 2020 (in thousands):

Year ending December 31:		
2021	$	3,052
2022		2,426
2023		2,200
2024		2,195
2025 and thereafter		10,376
Total	$	20,249

(13) Related-Party Transactions

The Company is the main policyholder with an insurance company, a related party, that provides insurance coverage for workers' compensation, general liability, and automobile liability, each with a $1,000,000 limit per occurrence, with annual aggregate limits of $4,500,000. The insurance company provides builders risk coverage with $150,000 limit per occurrence. All of the policies are written as corporate reimbursement policies, whereas the Company pays the actual claims and is reimbursed by the insurance company. The insurance company also provides the stop loss for medical claims in excess of $325,000. During the year ended December 31, 2020, the Company paid insurance premiums totaling approximately $3,664,000.

(14) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through April 27, 2021, the date in which the consolidated financial statements were available to be issued, and determined there are no items to disclose.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Supplementary Schedule – Schedule of Operating Expenses

Year ended December 31, 2020

(In thousands)

Operating expenses:		
Payroll and payroll related expenses	$	62,477
Incentive compensation		27,431
Rent and utilities		6,478
Donations and sponsorships		2,745
Other employee benefits		2,860
Travel and lodging		853
Vehicles		2,251
Professional fees		2,287
Education and training		1,796
Supplies		1,248
Other		4,288
Total operating expenses	$	114,714

See accompanying independent auditors’ report.

HENSEL PHELPS
Plan. Build. Manage.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Financial Statements and Supplementary Schedule – Schedule of Operating Expenses

December 31, 2021

(With Independent Auditors' Report Thereon)

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

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KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

The Board of Directors
Hensel Phelps Construction Co.:

Qualified Opinion

We have audited the consolidated financial statements of Hensel Phelps Construction Co. and its subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of earnings, comprehensive income, partners' capital, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Qualified Opinion

As more fully disclosed in Note 6 to the consolidated financial statements, the Company has a controlling interest in the Ascend Apollo, LLC and Aspire Apollo II, LLC joint ventures which are recorded under the equity method of accounting with the net investment balance included in the other assets caption in the accompanying consolidated balance sheet. U.S. generally accepted accounting principles require these entities for which the Company has a controlling interest to be consolidated.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Supplementary Schedule - Schedule of Operating Expenses included on page 24 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Denver, Colorado
April 29, 2022

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2021

(In thousands)

Assets		
Current assets:		
Cash and cash equivalents	$	549,646
Marketable securities		678,708
Accounts receivable:		
Due on contracts		644,647
Other		7,991
Contract assets:		
Contract retainage		304,224
Costs and estimated earnings in excess of billings on uncompleted contracts		12,366
Notes receivable – current		33
Other current assets		9,568
Total current assets		2,207,183
Notes receivable, less current portion		9,293
Property and equipment, net		112,496
Other assets		90,579
Total assets	$	2,419,551
Liabilities and Partners' Capital		
Current liabilities:		
Accounts and subcontractors payable	$	592,803
Retainages withheld from subcontractors		299,200
Estimated contract completion costs		4,565
Billings in excess of costs and estimated earnings on uncompleted contracts		661,003
Accrued expenses		97,231
Current portion of deferred compensation		67,422
Current portion of long-term debt		15,355
Total current liabilities		1,737,579
Long-term debt, less current portion		15,581
Deferred compensation		255,911
Total liabilities		2,009,071
Partners' capital:		
Partners' capital		85,586
Retained earnings		319,483
Accumulated other comprehensive income		5,188
Noncontrolling interests		223
Total partners' capital		410,480
Commitments and contingencies (notes 12 and 13)		
Total liabilities and partners' capital	$	2,419,551

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Earnings

Year ended December 31, 2021

(In thousands)

Earned revenue	$	5,334,916
Cost of earned revenue		4,920,832
Gross margin from operations		414,084
Operating expenses		120,935
Income from operations		293,149
Other income (expense):		
Interest and dividend income		13,635
Deferred compensation expense		(97,684)
Interest expense		(662)
Aircraft expense		(956)
Incentive compensation expense		(9,559)
Other expense, net		(11,905)
Net income	$	186,018

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

Year ended December 31, 2021

(In thousands)

Net income	$	186,018
Other comprehensive income:		
Net change in unrealized holding gains		(9,807)
Reclassification of unrealized holding losses in net income		835
Other comprehensive income		(8,972)
Comprehensive income	$	177,046

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Partners' Capital

Year ended December 31, 2021

(In thousands)

Balances, January 1, 2021	$	364,643
Net income		186,018
Other comprehensive income		(8,972)
Change in capital accounts of partners, net		11,764
Distributions to partners		(143,196)
Noncontrolling interests consolidated		223
Balances, December 31, 2021	$	410,480

See accompanying notes to consolidated financial statements.

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended December 31, 2021

(In thousands)

Cash flows from operating activities:		
Net income	$	186,018
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		17,917
Gain on sale of property and equipment		(3,177)
Loss on disposition of marketable securities		835
Changes in assets and liabilities:		
Decrease in accounts receivable		58,393
Decrease in contract assets		9,934
Increase in other current assets		(536)
Decrease in other assets		3,510
Decrease in accounts and subcontractors payable and retainages withheld from subcontractors		(39,347)
Decrease in estimated contract completion costs		(170)
Increase in billings in excess of costs and estimated earnings on uncompleted contracts		157,573
Increase in accrued expenses		723
Increase in deferred compensation		30,434
Cash flows provided by operating activities		422,107
Cash flows from investing activities:		
Acquisition of property and equipment		(35,163)
Proceeds from the sale of property and equipment		4,107
Hydro acquisition, net of cash acquired		(7,331)
Contributions to equity method investments		(5,932)
Sale of marketable securities		388,945
Purchase of marketable securities		(544,965)
Issuance of notes receivable		(5,229)
Repayments of notes receivable		3,097
Cash flows used in investing activities		(202,471)
Cash flows from financing activities:		
Principal payments on long-term debt		(33,740)
Distributions to partners		(138,792)
Change in capital accounts of partners, net		21,322
Increase in noncontrolling interests		223
Cash flows used in financing activities		(150,987)
Increase in cash and cash equivalents		68,649
Cash and cash equivalents, beginning of year		480,997
Cash and cash equivalents, end of year	$	549,646

See accompanying notes to consolidated financial statements.

(1) Operations and Summary of Significant Accounting Policies

Hensel Phelps Construction Co. (the Company) is a Delaware general partnership. The general partnership is owned by two affiliated companies, Hensel Phelps Parent 1 and Hensel Phelps Parent 2 (Parent Companies). These affiliated companies are Delaware corporations that have elected to be an S Corporation for income tax purposes. The principal business activity of the Company is to operate as a general contractor on construction projects throughout the United States. The consolidated financial statements include the accounts of the Company, its primary subsidiaries, Hensel Phelps Development LLC, and Hensel Phelps Services, LLC, which are wholly owned, and its majority owned subsidiary, Guam Properties, LLC. All significant intercompany transactions have been eliminated in consolidation.

(a) Revenue Recognition

Construction contracts. The Company recognizes construction contract revenue over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Construction contracts are generally accounted for as a single performance obligation. The Company generally provides limited assurance type warranties to customers for work performed under contracts; however, as the warranties are not sold separately and do not provide customers with a service, the Company does not account for them as a separate performance obligation.

Revenue is recognized using the percentage-of-completion method, based primarily on contract costs incurred to date compared to total estimated contract costs. The percentage-of-completion method accurately depicts the Company's contract performance as it directly measures the value of the goods and services transferred to the customer. No gross margins are recognized on construction contracts until the contract is 10% complete and then only when progress reaches a point where experience is sufficient to estimate financial results with reasonable accuracy.

The Company makes revisions in its cost estimates as required during the course of construction. These revisions are reflected in the accounting period in which the facts that require such revisions become known. At the time an estimated loss on a contract becomes known, the entire amount of the estimated loss is recognized.

Construction contract revenues totaled approximately $5,324,204,000 for the year ended December 31, 2021. Customer payments on construction contracts are typically due within 30 to 45 days of billing.

Service contracts. For all service contracts in which the Company has the right to consideration from the customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date, the Company utilizes the 'as invoiced' practical expedient and revenue is recognized when services are performed and contractually billable.

Service contract revenues totaled approximately $10,712,000 for the year ended December 31, 2021. Customer payments on service contracts are typically due within 30 days of billing.

Contract assets and Liabilities. Contract assets represent a conditional right to consideration arising from revenue recognized where the right is conditional on something other than the passage of time and include contract retainage and costs and estimated earnings in excess of billings on uncompleted contracts on the consolidated balance sheet. The Company's contracts allow for progress billings to the customer as contract costs are incurred. At times the customer retains a portion of payments from the Company's progress billings until satisfactory completion of a contract, which is referred to as contract retainage. This amount varies on a contract by contract basis. Costs and estimated earnings in excess of billings on uncompleted contracts represent revenue recognized in advance of amounts billed. Contract liabilities represent amounts billed to customers in advance of revenue recognized. Contract liabilities are presented as billings in excess of costs and estimated earnings on uncompleted contracts on the consolidated balance sheet.

Contract assets and contract liabilities for the year were as follows (in thousands):

	Balance at January 1, 2021	Balance at December 31, 2021
Assets		
Accounts receivable:		
Due on contracts	$ 694,826	$ 644,647
Other	13,554	7,991
Contract assets:		
Contract retainage	315,476	304,224
Costs and estimated earnings in excess of billings on uncompleted contracts	9,967	12,366
Liabilities		
Billings in excess of costs and estimated earnings on uncompleted contracts	503,430	661,003

Variable consideration. The nature of the Company's contracts give rise to several types of variable consideration, including claims and unpriced change orders, award and incentive fees, shared savings, and liquidated damages. Variable consideration estimates are only included within the transaction price to the extent that a significant reversal would not be probable.

(b) Classification of Current Assets and Current Liabilities

In accordance with normal practice in the construction industry, the Company includes asset and liability accounts relating to construction contracts in current assets and current liabilities even when such amounts are realizable or payable over a period in excess of one year. Retainages are generally not received by the Company or paid to the subcontractor until completion of the construction project and acceptance by the project owner. The length of the Company's contracts varies but is typically between one and two years.

(c) Depreciation

The Company computes depreciation using principally the straight-line method, over estimated useful lives of 39 years for buildings and improvements, 10 years for aircraft, 7 years for office equipment, and 3 to 5 years for construction equipment.

(d) Cash and Cash Equivalents

For purposes of the consolidated balance sheet and consolidated statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At December 31, 2021, the Company held approximately $81,271,000 of retainage in cash and cash equivalents.

The Company's cash and cash equivalents are financial instruments that are exposed to concentrations of credit risk. The Company invests its cash with high-credit quality federally insured institutions. Cash balances with any one institution may be in excess of federally insured limits or may be invested in non-federally insured money market accounts. The Company has not realized any losses in such cash investments or accounts and believes it is not exposed to any significant credit risk.

(e) Marketable Securities

The Company classifies its marketable securities as available-for-sale. The Company has no trading securities or held to maturity securities. The Company's available-for-sale marketable securities consist of bonds, notes, debentures, exchange-traded funds (ETF), and other securities. The securities are reported at estimated fair value in the consolidated balance sheet. Unrealized holding gains and losses are reported as a net amount in a separate component of partners' capital until realized.

Marketable securities are analyzed for credit loss (the difference between the present value of cash flows expected to be collected and the amortized cost basis). The credit loss, if any, will then be recognized in earnings as realized losses, while the balance of the decline of fair value related to other factors will be recognized in accumulated other comprehensive loss.

There were no losses on other-than-temporarily impaired securities for the year ended December 31, 2021. Gains and losses on disposal of marketable securities are computed using the specific-identification method.

(f) Long-Lived Assets

The Company assesses the carrying value of its long-lived assets for impairment when circumstances indicate such amounts may not be recoverable from future operations. Generally, assets to be held and used in operations are considered impaired if the sum of expected undiscounted future net cash flows is less than the assets' carrying amount. If an impairment is indicated, the loss is measured based on the amount by which the assets' carrying amounts exceed their fair value. Assets to be disposed of are reported at the lower of their carrying value or fair value less estimated selling costs. No impairment was recognized in 2021.

(Continued)

(g) Cash Flows

Interest paid on long-term debt was approximately $664,000 for the year ended December 31, 2021.

The Company had the following non-cash items for the year ended December 31, 2021:

Partners' capital account converted to debt	$ 9,558,000
Partners' distribution used to reduce note receivables	$ 4,404,000

(h) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accounting for such long-term contracts requires significant judgment and is inherently complex. It is reasonably likely that actual results will differ from management's estimates throughout performance under the contracts and that changes in estimates and actual results could have a material impact on the Company's financial position and results of operations.

The Company estimates the total contract cost and the extent of progress toward completion of lump-sum contracts and recognizes a loss if the total estimated costs exceed the lump sum. The actual costs to complete the project could differ from those estimates.

The Company has not recorded an allowance for doubtful accounts based on management's assessment of the creditworthiness of the Company's customers and a prior history of minimal write-offs.

(i) Business Combination

GAAP requires that the purchase price paid for business combinations be allocated to the assets and liabilities acquired based on their respective fair values. All assets and liabilities acquired in connection with the Hydro Construction Company, Inc. (Hydro) acquisition were recorded at their respective fair values.

(j) Goodwill

Goodwill represents the excess purchase price of an acquired business over the fair value of the net identifiable assets acquired.

The Company has adopted the provisions of the Accounting Standards Update (ASU) No. 2014-18, *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination (a consensus of the Private Company Council),* which permits a private company to no longer recognize certain customer-related intangible assets and noncompetition agreements separately from goodwill. Thus all customer-related intangible assets and noncompetition agreements associated with the Hydro acquisition were subsumed into goodwill.

The Company also simultaneously adopted the provisions of the ASU No. 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill,* which permits a private company to subsequently amortize goodwill on a straight-line basis over a period of 10 years or less. It also permits the Company to apply a simplified impairment model to goodwill. Goodwill will be tested for impairment when a triggering event occurs that indicates that the fair value of the company may be below its carrying amount. Goodwill amortization expense totaled approximately $3,886,000 for the year ended December 31, 2021 and was included in other expense, net on the consolidated statement of earnings.

(k) Noncontrolling Interests

In connection with the Guam Properties, LLC subsidiary, the Company recorded noncontrolling interests, representing the interest holders' 25% equity interest in Guam Properties, LLC.

(2) Hydro Business Combination

On August 2, 2021, the Company acquired Hydro through an asset purchase for a cash purchase price of $8,500,000. Hydro was a general contractor that specialized in the construction of water and wastewater treatment facilities and related projects. The allocation of the purchase price was as follows (amounts in thousands):

		Allocation
Assets purchased:		
Cash and cash equivalents	$	1,169
Accounts receivable:		
Due on contracts		2,651
Contract assets:		
Contract retainage		1,375
Goodwill		3,886
Property and equipment		1,839
Total assets purchased	$	10,920
Liabilities assumed:		
Accounts and subcontractors payable		(1,504)
Retainages withheld from subcontractors		(505)
Billings in excess of costs and estimated earnings on uncompleted contracts		(294)
Accrued expenses		(117)
Total liabilities assumed	$	(2,420)
Purchase price	$	8,500

(3) Marketable Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of available-for-sale securities by major security type and class of security at December 31, 2021 were as follows:

		Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
			(In thousands)		
Available-for-sale:					
U.S. Treasury securities	$	84,033	623	(449)	84,207
Mortgage-backed securities		48,465	266	(505)	48,226
Municipal bonds		344,737	6,708	(772)	350,673
Corporate bonds		98,074	289	(972)	97,391
ETFs		98,211	—	—	98,211
	$	673,520	7,886	(2,698)	678,708

Expected maturities of debt securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Maturities of debt securities classified as available-for-sale were as follows at December 31, 2021:

		Amortized cost	Fair value
		(In thousands)	
Available-for-sale:			
Due within one year	$	64,639	65,178
Due after one year through five years		245,983	248,105
Due after five years		264,687	267,214
	$	575,309	580,497

Gross realized gains included in other expense, net during the year ended December 31, 2021 were $298,000 and gross realized losses included in other expense, net was $1,133,000.

Unrealized losses on securities that have been in a continuous unrealized loss position are insignificant at December 31, 2021.

The fair value of available-for-sale marketable securities is determined using the following inputs:

- Level 1 – Quoted prices (unadjusted) in active markets for identical investments at the measurement date.
- Level 2 – Pricing inputs are other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. Level 2 pricing inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, inputs other than quoted prices that are observable for the investment, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Pricing inputs are unobservable for the investment and are based on the Company's own assumptions about the assumptions that a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the investment in its entirety falls is determined based on the lowest level input that is significant to the investment in its entirety. Assessing the significance of a particular input to the investment in its entirety requires judgment, and considers factors specific to the investment.

The following table categorizes all available-for-sale marketable securities as of December 31, 2021 based on valuation input level:

	Level 1 – Unadjusted quoted price	Level 2 – Other significant observable inputs	Level 3 – Significant unobservable inputs	Fair value
		(In thousands)		
U.S. Treasury securities	$ —	84,207	—	84,207
Mortgage-backed securities	—	48,226	—	48,226
Municipal bonds	—	350,673	—	350,673
Corporate bonds	—	97,391	—	97,391
ETFs	98,211	—	—	98,211
Total	$ 98,211	580,497	—	678,708

Cash equivalents are carried at cost, which approximates fair value due to their short maturities.

(4) Notes Receivable

A summary of notes receivable at December 31, 2021 is as follows (in thousands):

Notes receivable – employees	$	9,296
Notes receivable – other		30
		9,326
Less current portion		(33)
Notes receivable, less current portion	$	9,293

Notes receivable from employees include approximately $3,668,000 in notes receivable secured by deeds of trust and approximately $5,628,000 in unsecured notes receivable at December 31, 2021. Notes receivable earn interest at variable interest rates and include approximately $1,107,000 of notes receivable that are noninterest bearing at December 31, 2021. The impact of recording interest on these notes receivable is insignificant. Notes receivable are generally due on demand.

(5) Property and Equipment

A summary of property and equipment, at cost, at December 31, 2021 is as follows (in thousands):

Land and improvements	$	7,634
Buildings and improvements		70,001
Aircraft		22,854
Construction equipment		75,206
Office equipment		3,383
Total property and equipment		179,078
Less accumulated depreciation		(66,582)
Total property and equipment, net	$	112,496

Depreciation expense totaled approximately $14,031,000 for the year ended December 31, 2021. Depreciation expense for buildings and improvements is included in operating expenses on the consolidated statement of earnings, and depreciation expense for construction equipment is included in cost of earned revenue on the consolidated statement of earnings.

(6) Partnership and Development Investments

The Company has invested in various construction partnerships, which are accounted for using the proportionate consolidation method, whereby the Company's undivided interest of the assets, liabilities, revenue, and expenses is consolidated. All intercompany transactions and balances are eliminated in consolidation.

Hensel Phelps Development LLC has invested in various development joint ventures. These unconsolidated joint ventures are accounted for under the equity method and the investment balances are included in other assets on the consolidated balance sheet. Our investments in equity method joint ventures on the consolidated balance sheet as of December 31, 2021 was a net asset of $58,480,000.

Hensel Phelps Development LLC has a preferred equity interest in the Ascend Apollo, LLC joint venture, which owns and operates a 424 key apartment complex in Maryland. The Company evaluated the substantive terms of the respective agreements with the joint venture to identify which owner has the power to direct the activities that most significantly impact the entity's economic performance, the obligation to absorb losses, and the right to receive benefits from the entity. Based on the evaluation, the Company has concluded that this joint venture qualifies as a variable interest entity (VIE) for which the Company is the primary beneficiary resulting in a controlling interest. This joint venture has not been consolidated as of and for the year ending December 31, 2021; however, summary financial information of the unconsolidated joint venture, as derived from their December 31, 2021 unaudited financial statements, is as follows (in thousands):

Current assets	$	2,748
Property and equipment, net		72,274
Other assets, net		2,297
Total assets	$	77,319
Current liabilities	$	434
Mortgage Payable		78,766
Other liabilities		213
Total liabilities	$	79,413
Total members' equity (deficit)		(2,094)
Total liabilities and members' equity (deficit)	$	77,319

Summary earnings information, for the year ending December 31, 2021, is as follows (in thousands):

Revenue	$	7,612
Expenses, net		10,083
Net loss	$	(2,471)

(Continued)

Hensel Phelps Development LLC has a preferred equity interest in the Aspire Apollo II, LLC joint venture, which owns and operates a 384 key apartment complex in Maryland. The Company evaluated the substantive terms of the respective agreements with the joint venture to identify which owner has the power to direct the activities that most significantly impact the entity's economic performance, the obligation to absorb losses, and the right to receive benefits from the entity. Based on the evaluation, the Company has concluded that this joint venture qualifies as a VIE for which the Company is the primary beneficiary resulting in a controlling interest. This joint venture has not been consolidated as of and for the year ending December 31, 2021; however, summary financial information of the unconsolidated joint venture, as derived from their December 31, 2021 unaudited financial statements, is as follows (in thousands):

Current assets	$	1,633
Property and equipment, net		85,965
Other assets, net		2,872
Total assets	$	90,470
Current liabilities	$	235
Mortgage Payable		86,000
Other liabilities		241
Total liabilities	$	86,476
Total members' equity		3,994
Total liabilities and members' equity	$	90,470

Summary earnings information, for the year ending December 31, 2021, is as follows (in thousands):

Revenue	$	6,668
Expenses, net		15,088
Net loss	$	(8,420)

Owning and operating apartment complexes is not the Company's ordinary course of business. It is the Company's intention to sell its interest within the next few years. As it is outside the ordinary course of business, these entities have not been consolidated as required by GAAP. If the Company were to consolidate Ascend Apollo, LLC and Aspire Apollo II, LLC, and thus eliminate the Company's investments as of December 31, 2021, the Company's resulting consolidated financial information would be as follows (in thousands):

Current assets	$	2,211,564
Property and equipment, net		270,735
Other assets, net		64,578
Total assets	$	2,546,877
Current liabilities	$	1,738,248
Long-term debt, less current portion		180,801
Deferred compensation		255,911
Total liabilities	$	2,174,960
Total partners' capital	$	393,715
Noncontrolling interests		(21,798)
Total noncontrolling interests and partners' capital	$	371,917
Total liabilities and noncontrolling interests and partners' capital	$	2,546,877

If the Company were to consolidate earnings for Ascend Apollo, LLC and Aspire Apollo II, LLC for the year ended December 31, 2021, the Company's resulting consolidated financial information for the year ended December 31, 2021 would be as follows (in thousands):

Earned revenue	$	5,334,916
Cost of earned revenue		4,920,832
Gross margin from operations		414,084
Operating expenses		120,935
Income from operations		293,149
Other income (expense)		(118,022)
Net income including noncontrolling interests	$	175,127
Net loss attributable to noncontrolling interests	$	(7,787)
Net income attributable to the Company	$	182,914

(7) Long-Term Debt

A summary of long-term debt at December 31, 2021 is as follows (in thousands):

Notes payable, with interest at a variable rate (1.45% at December 31, 2021 to former partners, unsecured, principal, and interest payable in annual and quarterly installments)	$	30,936
		30,936
Less current portion		(15,355)
Long-term debt, less current portion	$	15,581

Annual maturities of long-term debt are as follows (in thousands):

Year ending December 31:		
2022	$	15,355
2023		11,503
2024		4,078
2025 and thereafter		—
Total	$	30,936

(8) Income Taxes

No provision for federal income taxes is necessary in the Company's consolidated financial statements because as a General Partnership, the Company is not subject to federal income taxes and the tax effect of its activities accrues to the owners.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(Continued)

(9) Notes to Parent Companies

The Company has promissory notes to the Parent Companies equal to the principal amount of all unpaid stock notes within each company. The principal amount of the notes is automatically increased and decreased without any action and is included within the change in capital accounts of partners, net in the accompanying consolidated statement of partners' capital.

(10) Deferred Compensation

The Company has a deferred compensation plan (S Unit Plan) under which S Units are granted to key employees. Effective January 1, 2021, the S Unit Plan was frozen to reflect the Company's adoption of the Hensel Phelps Construction Co. HP Unit Plan (HP Unit Plan). The freezing of the S Unit Plan means no new Participants shall be allowed into the Plan and no additional S Unit awards shall be made to any existing Participants; however, the freezing of the S Unit Plan does not affect S Unit awards outstanding as of January 1, 2021, as those S Units will remain outstanding in accordance with their terms. S Units vest at the rate of 20% each year unless different vesting arrangements are determined by the board of directors at grant date.

Plan earnings are credited to each S Unit holder based on the net income of the Company. The following summarizes the changes in deferred compensation:

	Number of S Units		Value (In thousands)
Outstanding, January 1, 2021	709,900	$	292,472
S Units reacquired	(54,850)		(15,730)
Distributions to S Unit holders	—		(54,181)
Earnings allocated	—		94,490
Outstanding, December 31, 2021	655,050	$	317,051

Deferred compensation is payable to the S Unit holder upon termination of employment, death, or permanent disability. The Company makes payments on deferred compensation balances in excess of $400,000 in four annual payments.

Effective January 1, 2021, the Company adopted a new deferred compensation plan (HP Unit Plan) under which HP Units are granted to key employees. HP Units become vested on the last day of their performance cycle. All grants and performance cycles are determined by the board of directors at grant date.

Plan earnings are credited to each HP Unit holder based on the net income of the Company. The following summarizes the changes in deferred compensation:

	Number of HP Units	Value (In thousands)
Outstanding, January 1, 2021	—	$ —
Granted	86,800	—
HP Units reacquired	(4,250)	—
Distributions to HP Unit holders	—	—
Earnings allocated	—	1,320
Outstanding, December 31, 2021	82,550	$ 1,320

Deferred compensation is payable to the HP Unit holder upon death, permanent disability, or vesting.

The Company has a deferred compensation plan (I Unit Plan) for employees ineligible for the HP and S Unit Plans. I Unit grants vest at a rate of 20% each year unless different vesting arrangements are determined by the board of directors at grant date.

Plan earnings are credited to each I Unit holder based on the net income of the Company. The following summarizes the changes in deferred compensation:

	Number of I Units	Value (In thousands)
Outstanding, January 1, 2021	14,700	$ 4,765
Granted	2,750	—
I Units reacquired	(3,100)	(805)
Distributions to I Unit holders	—	(804)
Earnings allocated	—	1,806
Outstanding, December 31, 2021	14,350	$ 4,962

Deferred compensation is payable to the I Unit holder upon termination of employment, death, or permanent disability. In addition, the fully vested deferred compensation balance is paid out to the participants every five years.

The amount of deferred compensation under the S Unit Plan, HP Unit Plan, and the I Unit Plan is determined using the intrinsic value method.

(11) Retirement Plans

Salaried employees of the Company participate in a qualified retirement plan (the Salary Plan). The Salary Plan allows participants to contribute a portion of their compensation to the Salary Plan. The Company annual contribution is determined at the discretion of the board of directors and totaled approximately $29,268,000 for the year ended December 31, 2021.

Hourly employees of the Company participate in another qualified retirement plan (the Hourly Plan). The Hourly Plan allows participants to contribute a portion of their compensation to the Hourly Plan. The Company annual contribution is determined at the discretion of the board of directors and totaled approximately $2,512,000 for the year ended December 31, 2021.

Hourly employees of the Company who perform services for the Company on a public contract, that is subject to the Davis-Bacon Act or any other prevailing wage law, become immediately eligible to participate in a defined contribution money purchase pension plan (the Money Purchase Pension Plan). The Company makes contributions to the Money Purchase Pension Plan in an amount required by the Davis-Bacon Act or other applicable prevailing wage law according to the hourly contribution rate determined by each participant's employment classification for applicable construction projects. Except for employee rollover contributions, contributions by employees are not permitted. The Company contributed approximately $1,817,000 into the Money Purchase Pension Plan for the year ended December 31, 2021.

Employees of Hensel Phelps Services, LLC participate in a qualified retirement plan (the Services Plan). The Services Plan allows participant to contribute a portion of their compensation to the Services Plan. The Company provides a 50% match on up to 8% of employee deferrals. The Company contributed approximately $133,000 into the Services Plan for the year ended December 31, 2021.

(12) Contingent Liabilities

(a) Legal Proceedings

The Company is involved in various matters of litigation routine to the nature of its business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, consolidated results of operations, or liquidity.

(b) Guarantees

The Company provides repayment guarantees to construction loan lenders for amounts borrowed by affiliated organizations that are accounted for as equity-method investments and not consolidated herein. Those guarantees amount to approximately $9,014,000 as of December 31, 2021. The guarantees are secured by the assets of the Company.

If the supplier defaults on a payment, the Company would have to perform under the guarantee. The Company monitors the financial performance of the supplier on a frequent basis, and also evaluates the availability of supplies from alternate sources. No amounts have been accrued as a loss contingency related to this guarantee because payment by the Company is not probable.

(13) Leases

The Company has entered into various operating leases with initial terms from two to thirteen years. Total rent expense for the Company's operating leases was approximately $3,099,000 for the year ended December 31, 2021.

The following summarizes the future minimum rental payments under leases with noncancelable terms continuing beyond December 31, 2021 (in thousands):

Year ending December 31:		
2022	$	2,462
2023		2,200
2024		2,195
2025		2,046
2026 and thereafter		8,331
Total	$	17,234

(14) Related-Party Transactions

The Company is the main policyholder with an insurance company, a related party, that provides insurance coverage for workers' compensation, general liability, and automobile liability, each with a $1,000,000 limit per occurrence, with annual aggregate limits of $4,500,000. The insurance company provides builders risk coverage with $150,000 limit per occurrence. All of the policies are written as corporate reimbursement policies, whereas the Company pays the actual claims and is reimbursed by the insurance company. The insurance company also provides the stop loss for medical claims in excess of $325,000. During the year ended December 31, 2021, the Company paid insurance premiums totaling approximately $6,672,000.

(15) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through April 29, 2022, the date in which the consolidated financial statements were available to be issued, and determined there are no items to disclose

HENSEL PHELPS CONSTRUCTION CO.
AND SUBSIDIARIES

Supplementary Schedule – Schedule of Operating Expenses

Year ended December 31, 2021

(In thousands)

Operating expenses:		
Payroll and payroll related expenses	$	66,843
Incentive compensation		26,636
Rent and utilities		7,037
Donations and sponsorships		2,650
Other employee benefits		2,890
Travel and lodging		1,128
Vehicles		2,530
Professional fees		2,440
Education and training		2,908
Supplies		1,190
Other		4,683
Total operating expenses	$	120,935

See accompanying independent auditors' report.

Pricing Information Form

Phase I Services

The scope and anticipated schedule of the CMAR contractor services for which pricing is required is defined in Exhibit A of **Attachment C (Draft CMAR Contract)**. Proposers shall include rates and estimated hours for Key Personnel and additional staff that will support Key Personnel during Phase I in the table below.

Key Personnel	***Rate ($)***	***Hours***	***Total ($)***
Project Director / Manager	$125.00	406	$50,750
Project Superintendent	$115.00	332	$38,180
Construction Manager	$103.00	160	$16,480
Commissioning & Startup Manager	$103.00	78	$8,034
Senior Estimator	$109.00	404	$44,036
Safety Manager	$92.00	40	$3,680
Additional Staff	***Rate ($)***	***Hours***	***Total ($)***
Gould Construction	$125.00	112	$14,000
Expenses	-	-	
		Total	**$175,160**

Phase II Construction Services

CMAR Fee

The CMAR Fee will be applied as described in **Attachment C (Draft CMAR Contract)**, Article 7.3. The CMAR Fee should be inclusive of corporate overhead and profit.

CMAR Fee Percentage 7.50 %

By signature hereon, the Proposer's authorized agent ("Agent") certifies that all necessary corporate acts have been taken to authorize the Agent to sign this document and that all information provided in Pricing Information Form are an accurate representation of the information the Proposer is providing.

Proposer's Name: Hensel Phelps Construction Co.

Signed by (Authorized Agent):

Printed Name: Brian Penner

Title: Operations Manager

Date: 3.9.2023

		Estimated Preconstruction & Procurement Phase Hours											
Labor Classification	**Burdened Rate ($/hr)**	*Construction Phasing Consultation*	*Design Review Consultation*	*Scheduling*	*Site Investigation*	*Project Budget*	*Value Engineering*	*Construction Planning*	*Division of Work*	*Subcontractor Prequalification*	*Bidding*	*Contracting*	*Precon Submittals*
Project Director / Manager	$ 125.00	40	40	12	16	46	40	8	20	56	48	80	0
Project Superintendent	$ 115.00	40	40	80	16	0	40	8	20	0	48	0	40
Construction Manager	$ 103.00	0	0	8	24	0	10	0	0	8	30	60	20
Commissioning & Startup Manager	$ 103.00	20	30	8	0	0	0	0	0	0	20	0	0
Senior Estimator	$ 109.00	20	40	0	0	40	10	0	10	56	200	20	8
Safety Manager	$ 92.00	0	0	0	0	20	0	0	0	0	0	0	20
Gould	$ 125.00	0	8	0	8	20	8	0	0	0	60	0	8
		$13,840	$18,050	$12,348	$7,312	$14,450	$12,720	$1,920	$5,890	$13,928	$45,970	$18,360	$10,372
Preconstruction Phase Fee Total		$175,160											